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**CONSUMER GOODS AND DOMESTIC TRADE**

**No. 77**

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24 October 1983

## USSR REPORT

### CONSUMER GOODS AND DOMESTIC TRADE

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## CONSUMER GOODS PRODUCTION AND DISTRIBUTION

### ORGANIZATIONAL ISSUES IN SUGAR INDUSTRY CONSIDERED

Moscow SAKHARNAYA PROMYSHLENNOST' in Russian No 5, May 83 pp 58-61

[Article by E. A. Popel', Central Scientific Research Institute of Information and Technical and Economic Research, Ministry of the Food Industry: "Questions of Soviet Law: Organizational-Regulatory Questions on the Realization of the Food Program in the Sugar Industry"]

[Text] The May (1982) Plenum of the CPSU Central Committee examined and approved the USSR Food Program for the period up to 1990, which was developed in accordance with the decisions of the 26th CPSU Congress.

Improvements in the activities of the sectors of the food industry must play an important role in the realization of the Food Program. The Food Program envisages measures required for changing the internal structure of the agro-industrial complex, the system for managing agriculture and other sectors which are a part of the agro-industrial complex, and also the systems for material incentives for sovkhoz and kolkhoz workers, and so on.

The activity of sugar industry enterprises depends to a significant extent on the condition and the location of the areas from which they receive raw materials. Many sugar plants are now experiencing a shortage of raw material, which is explained by the low level of specialization and concentration of the production of sugar beets. The raw materials area for sugar plants throughout the USSR on the average amounts to 35 sugar beet farms; in the RSFSR, 48; and in the UkSSR, 27. Sugar beet plantations are located at distances of 40-70 kilometers from the plants.

Even in those cases where the sugar industry enterprises are members of agro-industrial associations, as for example in the Ukrainian SSR, production and technological unity between the plants and the sovkhoz's of the association is lacking. The sovkhozes which are part of the agro-industrial associations of the sugar industry have specialized for production of sugar beet seeds; and their share of the total volume of state purchases in the Ukrainian Sugar Industry amounts to only 1.1 per cent.

Further development of the sugar industry and achieving those goals set for the sector by the Food Program, urgently requires the solution of an entire complex of questions connected with providing the raw material. An important role in this belongs to Soviet law and the legal means for supporting the Food Program.

Legal guarantees for the Food Program include not only exact execution of existing legislation, but also that which is at the present time more important: a creative approach to the solution of the most urgent problems, which are connected with improving the planning and administration of the individual sections of the agro-industrial complex; with legal regulation of the mechanism of interaction between the enterprises and organizations of various departmental subordination; with the quality of the agricultural products, and so on.

The situation in the sugar industry as of 1 January 1983 was as follows: there were 325 plants in operation, the majority of which belong to 13 industrial and 11 agro-industrial associations, situated on the territory of the RSFSR and the Ukrainian SSR.

All of the associations' industrial and agricultural enterprises have retained their legal and economic independence. The enterprises of the agro-industrial and industrial associations in the sugar industry are, as a rule, located in the same oblast; however, certain associations contain industrial and agricultural enterprises which are situated in several oblasts.

In accordance with the measure for improving the administration of individual sectors of the agro-industrial complex, envisaged in the Food Program, at the present time a number of territorial agro-industrial associations are being established [regional, oblast, kray, and republic (AESR)]. Their establishment and the basic aspects of their activities have been given legal status in standard statutes on rayon, oblast, kray and republic (ASSR) agro-industrial associations. In accordance with the standard statutes, the territorial agro-industrial associations are organized for the purposes of improving the administration of the agricultural and other sectors of the agro-industrial complex, for improving contacts between the sectors, and for coordinating the activities of the territorial and sector organs of administration.

Retaining their legal and economic independence, the members of the associations in question consist of agricultural enterprises and associations, kol-khozes and interfarm enterprises (organizations); associations and enterprises which process agricultural raw materials; and also organizations whose function includes servicing of agricultural and industrial production.

The highest organ of administration of the territorial agro-industrial association is the association council, which has been given broad authority for administration and coordination of the activities of the associations, enterprises and organizations which are members of a specific agro-industrial association.

Specifically, the council of the territorial agro-industrial associations has been charged with: developing and implementing measures for the development of the territorial agro-industrial complex; examining the basic planning indicators of the enterprises and organizations which belong to the association; developing and preparing for the agricultural enterprises and organizations plans for the sale to the state of their agricultural products; allotting raw material zones for the processing enterprises, with the goal of more fully providing them with the required raw material in the required assortment and quality; reducing the loss of products and expenditures for their transportation, storage, processing, and so on.

The councils of the associations have been given broad rights in the sphere of control and administration of agricultural production, and also administration of those organizations which carry out the functions of servicing agricultural production. The functions of the association councils with respect to the enterprises in the processing industry consist of coordinating their activities for the purpose of harmonious development of the productive forces and the infrastructure of the rayon (oblast).

Thus, the territorial agro-industrial associations are a new form of organization of inter-sector contacts, the basis of which are principles of maximum combination of sector and territorial methods of managing the national economy. This means that, while the sector principles of administration are retained, there must be a guarantee of close correlation of the activities and interests of all the participants in the territorial association. The standard statutes on territorial agro-industrial associations do not provide the principles for including in the given associations the enterprises and organizations of the processing industry, inasmuch as this question must be resolved on the basis of the concrete conditions which have emerged from the practical experience in the interrelations within each specific rayon (oblast). The participation of the industrial (agro-industrial) associations of the sugar industry should be implemented, as a rule, at the location of their leading enterprises. Depending upon its subordination, the rayon or oblast agro-industrial enterprise will consist of the industrial and agro-industrial association of the sugar industry, represented by its leading enterprise. The necessary coordination of the activity of the sugar industry enterprises with the other members of the agro-industrial association can be provided, specifically, by mandatory examination of the drafts of the branch plans at the sessions of the association's council. Discussing the plans for industrial processing of the sugar beets with the administrators of the farms and other interested regional organizations will help establish the optimal dimensions of the raw materials zone for the sugar plants, and farms will be assigned to specialize in raising the beets, determining their volumes, quality, and terms of delivery and processing.

In a situation in which an association of the sugar industry must, in accordance with the comments already expressed, go beyond the limits of the controlling figures which were established by the superior organization, the question must be examined with the participation of the superior branch organ. Thus, such a form for the participation of sugar industry enterprises and associations in the activity of the territorial agro-industrial associations permits, on the one hand supporting the authority of the branch section; and on the other hand, it will support the formation of balanced plans, which embrace the entire cycle of production of sugar beets up to their industrial processing.

Questions of improving the economic interrelations of the enterprises and organizations which are part of the agro-industrial complex have been given a special place in the Food Program. At the present time, the interests of the agricultural and industrial enterprises remain uncoordinated for the most part. And this relates above all to the quality of the agricultural products. The existing system for material and financial concern provides an incentive to the sovkhoses and kolkhozes to fulfill the quantitative but not the qualitative indicators.



There are instances of decline in the sugar content of the sugar beets, an increase in the amount of dirt on them, and declines in other qualitative indicators, which leads to large losses in the sugar beet raw materials, and causes damage to the national economy. Calculations have shown that it is not economically effective to develop sugar beet production in which an increase in the output of the end product is connected with the growth in the volume of beets processed. Increasing the quality of the raw materials would permit increasing the output of the end product with significantly fewer losses. The Food Program envisages solving the given problem by means of combining the administrative and economic incentives for influencing the process of agricultural and industrial production.

The decree of the CPSU Central Committee and USSR Council of Ministers, "On Measures for Improving the Economy of Kolkhozes and Sovkhozes" envisages creating inter-branch inspection of the quality of agricultural production and the products from their processing. The inspection should implement control over the quality of the agricultural production sold by the kolkhozes and sovkhozes; over the observation of standards and correctness of measuring the quality of production in purchase and payment for them; the inspection should also promote the elimination of losses and damages.

The decree does not point out principles for the formation and subsequent functioning of the branch inspectorates. However, in order that a given inspectorate has an objective character, it should not be subordinated to any of the departments which are involved in the manufacture of the products. The inter-departmental inspectorate should be subordinate to an organ higher than the department, for example the republic Council of Ministers, or Gosstandart, USSR.

The development of the most effective forms for stimulating the members of an agro-industrial complex to qualitative and quantitative indicators for their activities is connected in the Food Program with the further improvement of the branch and territorial structure, with establishing and subsequent rational utilization of the funds for material incentives.

As was already noted above, the sugar plants of the USSR Ministry of the Food Industry receive their raw materials on the whole from the sovkhozes and kolkhozes of other ministries. At the present time contacts between the sugar plants and the agricultural organizations are maintained with the aid of contracted agreements. However, the present type of agreement does not take into consideration the specific nature of sugar beet production, and its influence on the entire cycle of production; and the processing of sugar beets is extremely limited.

The way out of the situation which has been created, evidently should be sought in expanding and improving contacts, the participants of which will be the sugar plants, the sovkhozes, and transportation organizations, which service agricultural and industrial production.

Establishing rational interrelations between the enterprises and organizations which are taking part in the production of beet sugar does not have to be connected with the formation of new organizationally-formalized interfarm structures. At the present time the formation of interfarm and state-kolkhoz

associations will not solve the problems of supplying the processing enterprises with raw materials, because of the low level of specialization of the beet-sowing arms, the long distances between the raw material zones and the sugar plants, and so on. In addition, the formation of new organizationally-formalized structures may lead in the final analysis to unanticipated complications in the system of administration of the territorial agro-industrial associations.

In our view, interfar relations with respect to production of sugar beets and their industrial processing should be perfected by means of working out and using in future practical experience such contractual relations which would completely consider the specific features of sugar beet production. The conditions of such an agreement should envisage the obligation of the sugar plants with respect to providing consultations and practical assistance to the sugar beet farms during the period of planting, cultivation and harvest of sugar beets; working out a complex of technological measures, which the agricultural organizations are obliged to carry out; for guarantee of both quantitative and qualitative parameters of sugar-beet crops. The sugar beet farmers of the Yampol' rayon in the Ukrainian SSR has practical experience in the use of such contractual relations.

The use of such agreements would permit the industrial enterprises to control the process of producing sugar beets with previously assigned qualitative indicators; would have a positive influence on the financial situation of the industrial enterprises and would in the final analysis assure the material interest of all the enterprises and organizations occupied with sugar production and the processing of sugar beets, by means of the use of centrally-funded material incentives from a portion of the profits in excess of the plan, realized by virtue of improving the quality of the raw materials, reduction of losses, and so on.

The creation and utilization of centralized funds in the territorial agro-industrial associations is also acquiring great practical significance in this connection. In accordance with the standard statutes, centralized funds are being established in the rayon and oblast agro-industrial associations, for development of production, socio-cultural measures and construction of living quarters, and for material incentives by virtue of the resources of similar funds of the enterprises and organizations which are a part of the given associations.

As the experience of currently operating territorial agro-industrial associations indicates (specifically the Makharadze regional agro-industrial association), the formation and subsequent distribution of centralized funds has a positive effect on the process of agricultural and industrial production, and facilitates the establishment of optimal conditions for all the participants of the agro-industrial association.

The centralized funds which are used for territorial agro-industrial associations, with the participation of agro-industrial and industrial associations of the sugar industry can be used for the expansion of the industrial capacities of the sugar plants, for establishing special points and warehouses for storing sugar beets at the site where they are produced, for providing material incentives to the workers at the sugar plants, sovkhoz and kolkhozes, for the transportation organizations—for everyone who is occupied in the cultivation and processing of sugar beets.

At the present time the possibility for legitimate use of both part of the above-planned profits, as well as the centralized fund for material incentive in the territorial agro-industrial associations is complicated by the lack of a standard regulation.

The question at hand should be decided in consideration of the positive experience already accumulated in a number of state-collective associations in the system of the USSR Ministry of the Food Industry and the territorial agro-industrial associations of the USSR Ministry of Agriculture.

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## CONSUMER GOODS PRODUCTION AND DISTRIBUTION

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### MOSCOW OBLAST MILK PRODUCTION PLANS OUTLINED

MOSCOW MOLOCHNAYA PROMYSHLENNOST' in Russian No 6, Jun 83 pp 1-6

[Unattributed article: "The Food Program and Our Tasks" under the rubric "For Moscow and Moscow Oblast"]

[Excerpts] Workers at the administration and enterprises of the Moscow Oblast Production Association for the Dairy Industry, which has been awarded a CPSU Central Committee, USSR Council of Ministers, AUCCTU and Komsomol Central Committee challenge red banner for achieving high results in all-union socialist competition to greet the 60th anniversary of the formation of the USSR in a worthy manner and successful fulfillment of the state plan for the economic and social development of the USSR, talk about their work.

N.F. Dzhev, general director of the Moscow Oblast Production Association for the Dairy Industry.

Successful fulfillment of the CPSU Central Committee March (1965) Plenum has enabled the sovkhozes and kolkhozes of Moscow Oblast to significantly increase sales of milk to the state and create a firm raw material base for the processing industry. In 1982, milk purchases from farms increased by a factor of more than 2.5 compared with 1965, amounting to 1,360,400 tons.

The further development of the sector's production-technical base predetermined the growth in raw materials resources.

During the period 1965-1982, a total of 11 dairies were constructed within the oblast in the cities of Kolonna, Klin, Mozhaysk, Zagorsk, Orekhovo-Zuyevo, Podol'sk, Stupino, Noginsk, Ramenskoye, Serpukhov and Dmitrov, with a total production capacity of more than 900 tons of wholemilk products per shift.

A total of 24 main city dairies with 30 subordinate enterprises are now included in the Moscow Oblast Production Association for the Dairy Industry, which makes it possible to process 1,700 tons of milk per shift. In addition, the Voronovskiy plant, which specializes in the processing of reconstituted milk, together with the Podol'sk Machinery Plant and the Lukhovitskiy training combine, are also subordinate to the association.

The association enterprises specialize in the processing of wholemilk products (more than 50 designated items) delivered to our motherland's capital and the industrial centers of Moscow Oblast. Each day they now process products worth more than 1 million rubles. Each day, 40 tons of curds, 80 tons of sour cream, 100 tons of cream and 2,000 tons of milk are delivered to Moscow alone.

As the production and procurement of milk have grown, deliveries of dairy products to the population have increased. Whereas in 1965 the association enterprises shipped 420,000 tons of wholemilk products in the capital, in 1975 the figure was 704,000 tons, while by the end of the 10th Five-Year Plan it was 780,000 tons; this year it is 820,000 tons. In 1965 the oblast's industrial centers received about 310,000 tons of wholemilk products, while in 1982 the figure was more than 580,000 tons.

The tasks set by the 26th CPSU Congress demanded of collectives at the enterprises a qualitatively new approach to organizational activity in fulfilling plans and tasks, enhancing economic efficiency and improving work quality.

In order to solve the complex technical and technological problems, creative brigades made up of engineering-technical workers and production leaders and innovators were set up at the enterprises. Specialists drew up comprehensive plans for engineering support to improve work efficiency and quality during the period 1981-1985. Production management forms are being improved, the experience of leading enterprises is being disseminated, processing standards are being reexamined, standard designs are being introduced for working places for workers, engineering-technical workers and employees, and socialist competition is being organized.

All this made it possible to fulfill the plan for the 1982 jubilee year for a sales volume of more than 350 million rubles and for the output of basic milk products, by 16 December, and to obtain additional dairy products worth more than 14 million rubles. The targets set for deliveries of dairy products to the population of Moscow and the oblast's industrial centers were considerably overfulfilled. All growth in production volume was achieved through labor productivity growth.

Things are also going well in 1983. During the first quarter, the collectives at all enterprises coped with production plans in respect of all indicators. For the association as a whole, milk purchases amounted to 315,000 tons, or 116 percent of the level reached for the period last year. Compared with the corresponding period for 1982 this has made it possible to increase the volume of sold output 12.7 percent, and processing of gross output 12.6 percent. Targets for deliveries of milk products to Moscow have been overfulfilled and all increases in production volume have been achieved through labor productivity growth, which has increased 8.6 percent compared with the corresponding period last year.

Stepped-up socialist pledges have been discussed and adopted in all the labor collectives. Striving with concrete deeds to respond to the decisions of

the CPSU Central Committee May and November (1982) plenums, workers at enterprises in the Moscow Oblast dairy sector intend in 1983 to insure the timely reception and processing of milk arriving from the sovkhoses, kolkhozes and other agricultural enterprises, in a volume of at least 1,530,000 tons, and ahead of schedule, by 29 December, fulfill the annual plan for the main technical-economic indicators, process at least 5,000 tons of dairy products worth 2 million rubles above the targets set, achieve all increases in production volumes at existing enterprises through labor productivity growth, and make savings of 701,000 kilowatt hours of electric power and 750 tons of fuel.

In adopting the new, high socialist pledges the enterprise collectives recognize that the results of work in 1983 will largely determine the successful fulfillment of the tasks of the five-year plan as a whole.

The plan for the 11th Five-Year Plan provides for considerable increases in all kinds of dairy products and the more complete and rational utilization of raw and processed materials.

A special place in enterprise activity is being assigned to achieving high labor productivity growth rates on the basis of retooling, the further improvement of production and labor and other measures.

Compared with 1980, by 1985 it is intended to increase gross output by 25 percent and labor productivity by 21.4 percent and to reach a level of at least 34,000 rubles worth of processed output per worker (in 1980 the figure was 69,000 rubles). Special attention will be given to the production of packaged goods, whose proportion it is intended to raise to 70 percent.

The role of the indicator for highest quality output will be enhanced; this is becoming very important for evaluating the results of production activity at the enterprise and for providing economic incentive for the labor collectives. Within the sector a comprehensive quality control system (KSUKP) has been introduced and the level of standardization has been raised.

Work is being done to enhance the role of foremen as organizers and educators of the workers. Some 206 foremen, including 34 with higher education and 131 with secondary education, are working at association enterprises.

Along with the significant increase in the volume of processed output, improvements in its quality and improvements in the structure of production, it is intended to implement measures aimed at improving the efficiency of operations in the agrarian-industrial complex.

It is pointed out in the materials of the CPSU Central Committee May (1982) Plenum that the key to improving agricultural efficiency is production intensification. In accordance with the five-year plan, in 1985 the milk yield for the oblast should be at least 3,600 kilograms per cow. At 80 farms animal productiveness of 4,000 kilograms or more has already been achieved and the number of cattle with this kind of productiveness stands at more than 63,000. By the end of the five-year plan dairy farmers in Moscow Oblast must deliver to the state 1.8 million tons of milk.

In this connection it is planned jointly with the Main Administration for Agriculture, the oblast "Sel'khoztekhnika" and the State Inspectorate for Purchases and the Quality of Agricultural Products to implement a number of measures aimed at improving the marketability of milk at farms and milk purchased by the public, and create conditions for effecting the transfer to the reception of milk directly at the sovkhozes and kolkhozes. This year it is intended to procure milk in this manner at 70 of the major livestock complexes. At these complexes the reception of 280,000 tons will be effected at the local level by workers of the association enterprises and it will be shipped using general purpose transportation. The association does not have its own transportation. In this connection, jointly with the Main Administration of Automobile Transportation of the Mosgorispolkom and the Main Administration of Automobile Transportation of Moscow Oblast precise schedules have been drawn up for the shipment and delivery of milk to the dairies and a system for controlling these operations.

In order to fulfill the crucial tasks set by the 26th CPSU Congress and the CPSU Central Committee May and November (1982) plenums, each worker must display initiative, a sense of purpose, a businesslike attitude, principle, and high creative activity.

In order to meet the targets set and the socialist pledges adopted at the enterprises, special attention has been given to strengthening labor and state discipline. During his meeting with the machine-tool makers of Moscow, CPSU Central Committee general secretary Yu.V. Andropov said that "we need the kind of conscious, working discipline that would move production ahead. We must fill the struggle for discipline with substantive content and link it directly with the fulfillment of production tasks..."

These words have been perceived with deep understanding by all association workers. Thus, L.I. Korshunova's sour cream and cottage cheese brigade at the Stupino city dairy is working creatively and with initiative. An atmosphere of labor enthusiasm and organization and discipline is typical of this collective.

The creation of this kind of atmosphere is being promoted by the brigade form of labor organization and incentive, which now covers more than 72 percent of the association workers. This is enabling better utilization of equipment and materials, reductions in losses and unproductive losses of working times, broader doubling-up of job occupations, the more rapid improvement of skills among personnel, and enhanced interest by the collective members in the final results of labor, and this, in turn, is promoting the retention of workers in production, increased labor productivity and the instilling of a communist attitude toward labor.

Analysis of the activities of individual plants and shops shows that given the same working conditions and quality of raw materials, their final technical-economic indicators sometimes differ substantially. In many cases this is explained by the different levels of creative activity by engineering-technical workers in solving the problems of technical progress and improving production.

During the fourth quarter of 1982 an experiment was conducted to increase the creative activity of specialists at the Podol'sk city dairy. The essence



of this experiment was to establish a direct dependence between material incentive and their personal labor contribution to the results of enterprise activity. This measure exerted a positive effect on the collective's work. The specialists' initiative was enhanced in fulfilling plans for engineering backup for the work of the brigades, the number of rationalization proposals increased significantly, and relations between the production sectors, the brigades and the services was improved, which promoted an improvement in the indicators for the dairy's activity: improved output quality, the rational use of raw materials, and labor productivity growth. During the first half of 1983 it is intended to introduce this experience in all the association enterprises.

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## CONSUMER GOODS PRODUCTION AND DISTRIBUTION

### SHORTCOMINGS OF FOOD PROCESSING MACHINERY DESCRIBED

Moscow EKONOMICHESKAYA GAZETA in Russian No 27, Jul 83

[Article by Ye. Kozlov, staff correspondent from Alma Ata: "Manual Labor in the Presence of an Excess of Equipment: On Shortcomings in the Use of Machinery in Public Catering"]

[Text] "Expenditures are high for manual labor in preparing food at the enterprises of the Alma Ata city public catering administration. Come to the kitchen of any dining room and you'll see that the cooks dress the meat and fish; peel the potatoes and onions—by hand. In the city as a whole 1,500 people are occupied in processing the products."

V. Zevriyev,  
Economist

This letter from a reader correctly reflects the situation at the city's public catering enterprises.

How did such a situation come to pass? In the first place, because there are few prepared foods. For example, with a daily requirement for prepared meat products in the amount of 59 tons, the dining rooms and restaurants are furnished less than 13 tons. Moreover, of this amount, 75 per cent consists of large pieces of meat, which requires a lot of additional preparation. And the fact that supply of prepared meat products is not only not increasing but actually decreasing, is also quite important.

Prepared meat products are furnished by the Alma Ata meat-packing combine. It is easier for it to supply the dining room with meats in large chunks or even entire carcasses. Therefore, the enterprise does not receive orders from public catering in the required amount. Fruitless debates on this account have been going on for years; the supervisors at the meat combine and at public catering come and go, but the situation does not change. Trade today does not possess the lever with which it could influence the suppliers, and "request" them to produce prepared meat products in the amount required.

The situation with the supply of prepared vegetables is still worse. Public catering enterprises receive only 2.5 per cent of that which they require. And the Alma Ata city fruit and vegetable trade administration does not overburden itself with concerns over supplying prepared vegetable products. One



must say that this was the situation when fruit and vegetable trade was part of the trade organizations, and remains the same even after its transfer to the new Ministry of the Fruit and Vegetable Industry, KASSR.

Today the majority of the public catering enterprises are designed and built to utilize prepared food products at an advanced state of preparation. They envisage merely preparing the food for serving. But instead of this the dining halls are forced to go through the entire cycle of preparation and sale of the food. And here are enterprises both large and small, which are crammed with modern equipment. Right now, for example, Alma Ata public catering has meat-grinders capable of producing up to 800 kg of sausage meat per hour. Such a meat grinder could support dozens of dining rooms. But they sent it to one particular dining room, where it operates only one to one-and-a-half hours a day. In all, the city public catering system has 600 such "machines", whereas if production were concentrated for public catering 100 would satisfy all the needs. But even these 600 do not support the needs of public catering today, for there are more than a thousand dining rooms and restaurants in the city, and consequently not every "point" has this equipment. And here is the paradox—in the presence of a general excess in equipment they still have to prepare sausage stuffing by hand in many enterprises.

The level of mechanization of operations in Alma Ata's public catering today amounts to 25.5 per cent in all. And the equipment at the same time is used only by 35-40 per cent; and such kinds as sausage grinders, potato peelers, vegetable slicers are used even less. Certain types of machinery are clearly lacking, particularly pastry machines. These, however, are utilized completely, inasmuch the national cuisine calls for a lot of noodles and other items made from dough. But you see the orders for these machines are systematically not fulfilled.

Scattering the equipment leads to low labor productivity and to large expenses. There is currently an attempt to concentrate production in the city. Fourteen purveyor-shops have already been established in the public catering system; these process 13 tons of prepared foods per day (meat, fish, domestic noodles, broth and gravy paste); and 22 confectionary shops have been established as well. This is of course a big help, but nevertheless does not solve the problem. The fact of the matter is, there are not enough prepared foods, and in addition other factors are hindering as well. For example, expanding the purveyor-shops is difficult, because not one single dining room was suitably designed for this purpose. And when such shops are established, one has to alter the existing facilities. And public catering simply does not have the funds for this.

True, the enterprises or organizations are helping. Fairly good catering combines have been established at the Kazakh State University, at a textile combine, and elsewhere. But here is the catch: the catering combine is established on the base of some enterprise or other, but services the dining rooms of an entire rayon, or two. The plant is ready to accept the additional expenses for the workers of its own enterprise, but for other enterprises—no. Other tough problems spring up as well; and these also slow down the creation of purveyor shops.

But even an extensive network of purveyor shops will not solve the problem. These shops prepare only meat and fish products, but not vegetable products; the sanitary service forbids it. Specifically, the potatoes must be subjected to sulfitization, that is, after they are peeled they must be processed with special equipment. Naturally, you can't supply all the shops with such equipment.

As we see, creating purveyor shops solves only part of the problem. Calculations show that mechanization of labor in this case shows only an insignificant increase, only by 27-28 per cent. And as a consequence, the productivity of labor does not increase significantly either. The increasing volume of public catering requires a significant recruitment program for this system, although for low-skilled, unattractive labor.

And so, as the appropriate resolutions envisage, industry will have to turn its attention to public catering.

A proposal prepared by the specialists deserves attention. It is a question of whether to build in the city a factory-kitchen for processing 25 tons of foods a day. Strange as it may seem, Alma Ata with a population of one million does not have such an enterprise. And the republic Ministry of Trade should resolve this question first of all.

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## HOUSING AND PERSONAL SERVICES

### BSSR PERSONAL SERVICES MINISTER INTERVIEWED

Minsk SOVETSKAYA BELORUSSIYA in Russian 13 Apr 83 p 2

[Interview of Alla Lavrent'yevna Grib, BSSR minister of consumer services by SOVETSKAYA BELORUSSIYA correspondent A. Larin: "So That the Customer Says Thanks"]

[Text] A new and striking confirmation of the constant concern of the Communist Party for the steady rise of the living standard of the Soviet people is the recently published decree of the CPSU Central Committee and the USSR Council of Ministers on the further development and improvement of personal services. It points out serious defects in the organization of this most important matter, particularly in rural localities, and outlines directions and ways of developing this sector of the national economy.

Our correspondent met with A.L. Grib, the BSSR minister of personal services, and asked her to speak of the state and ways of development of personal services in rural localities.

[Question] Anna Lavrent'yevna, tell us, please, how the decisions of the 26th party congress and the needs of the food program, which clearly refers to the role and importance of cultural and personal services for the rural population, are being fulfilled.

[Answer] In the decisions of the 26th CPSU Congress, adopted by the May (1982) Plenum of the Central Committee, the food program provides for ensuring over a 10-year period twofold growth of the volume of sales of personal services in rural localities, improving the quality and standards of services, expanding acceptance of orders for all necessary forms of personal services directly at kolkhozes and sovkhozes and constructing considerably more self-service laundries and comprehensive receiving centers.

As you see, workers of personal services have been set a perfectly concrete and clear-cut task. It is not an easy one, but it is quite attainable. The basis for such an assertion is the existence in our republic of a material and technical base and experienced cadres created in the postwar years.

At the present time, every rayon center has a personal-services combine and a number of specialized enterprises. Comprehensive receiving centers have been established at central locations of kolkhozes and sovkhozes. Rural localities have in operation more than 6,000 tailoring and dressmaking shops, houses for personal services and comprehensive receiving centers.

I want to emphasize that consumer services in rural areas have been growing these years twice as fast as in the republic as a whole. This has made it possible to bring the level of services for the rural population up to city level.

We, however, well understand that what has been achieved in rural personal services as yet far from satisfies the growing needs of rural workers. Many deficiencies and unresolved problems still exist in the organization of rural services.

[Question] What can you say about the principal ones?

[Answer] In the republic, big fluctuations are still to be observed in the volume of services per inhabitant. Whereas in some rayons, it amounts to 35-40 rubles per year, in others it is one-half the amount, or even less than that.

In occasional rayons, plans are fulfilled in regard to the development of only a few kinds of services, creating thereby the semblance that all is well. Actually, most of the types of services needed by the population, such as repair of household appliances, furniture, footwear, dry cleaning of clothes, washing of clothes, hairdressers and photo services here for all practical purposes are not to be found or are available in minimal volume.

In a number of places the comprehensive receiving centers established on kolkhozes and sovkhozes do not meet present requirements as to their condition and do not provide the possibility of organizing there normal personal services. There are about 500 such receiving centers; many of them are to be found especially in Vitebsk and Gomel oblasts.

One cannot remain silent about the low quality of fulfilled orders and the non-observance of deadlines. Unfortunately, cases exist of overcharging, lack of courtesy and inattentiveness on the part of personnel. I want to point out that the ministry carefully takes into consideration and analyzes communications from the press and localities and adopts concrete measures based on them.

An urgent problem facing us is further improvement of the organization of rural personal services and broader development of cooperative ties of rayon personal-services combines with specialized enterprises and improved organization of dispatcher services at the rayon personal-services combines, rayon production administrations and oblast associations and improvement of the operation of comprehensive receiving centers.

Such a problem as providing a plan of sales of personal services in rural localities, improving their quality and standards of service and reducing the



time required for fulfilling orders requires constant attention. We are working to see to it that by the end of the 11th Five-Year Plan the volume of services in rural localities will have grown 1.5-fold to reach 117 million rubles by 1985, or 39 million rubles more than in 1980.

[Question] You can't build them in every residential location....

[Answer] Of course. The enterprises are being primarily built in rayon and oblast centers as well as in large cities, while comprehensive receiving centers are being created on kolkhozes and sovkhoses where orders are received for all kinds of personal services. The task now is to build comprehensive receiving centers not only at central locations of kolkhozes and sovkhoses but also at large residential locations which are distant from farms' centers. Thus, rural inhabitants obtain the possibility of taking advantage of the same kinds of personal services that are available to city folk. In the city, for example, self-service laundries enjoy great popularity. Would a woman in the country turn down such a service? Naturally, not. We have started to build self-service laundries at central locations of farms. Sixty-two such enterprises are already in operation, primarily in Minsk Oblast. There are services that must be performed directly at a locality. Today, we are proposing here and there to rural inhabitants such services as plowing of vegetable gardens, taking care of orchards, repair of housing, glazing of windows, putting up fencing, stake fences and the like. Unfortunately, the volume of these service so far is insignificant.

[Question] But services of this kind require equipment, specialists....

[Answer] Naturally. Things are not so good in regard to equipment for this kind of work. Our industry is ~~not~~ not providing the necessary work tools and the necessary instruments and what is being produced does not always satisfy us. Here Sel'khoztehnika [republic association for the sale of agriculture technology] could be of help.

[Question] What connections do you have with Selkhoztehnika organizations?

[Answer] Our ministry and the BSSR Ministry of Agriculture last year jointly determined measures aimed at improving rural service: They recommended to kolkhozes, sovkhoses, rayon personal-services combines and rayon personal-services administrations to conclude long-term contracts, which would provide in particular specific time periods for the moving of existing comprehensive receiving centers to new and better appointed quarters and provision of assistance in selection of personnel for personal services and in providing them with housing and children's preschool institutions as well as allocating them hay fields, plots of land and so on.

[Question] And are there already results?

[Answer] Yes, there are. For example, kolkhozes Progress in Cherikovskiy Rayon, Kommunist and imeni Sverdlov in Kirovskiy Rayon allocate motor vehicles for picking up orders in the service areas of the receiving centers. Kolkhoz 1 Maya in Borisovskiy Rayon, sovkhoses Korenskiy and Chudenichi and a number of other farms in Logoyanskiy Rayon reimburse expenditures for fuel and electricity and repair equipment at rural receiving centers and self-service laundries.

Initiatives proceeding from below, from rural service personnel, are interesting. We positively rate, for example, the initiative of the receiving personnel of Stolbtsovskiy Rayon, who have introduced the practice of making household surveys and studying the population's needs for these or those services.

[Question] Alla Lavrent'yevna, what support do the efforts of the ministry receive from organizations and enterprises of other departments and local soviets?

[Answer] Without the aid of local soviets, personal services could not operate effectively. They, like many farms, apply major efforts to expand the network of personal-services centers and enterprises and to provide them with personnel. It is enough to say that during the last five-year plan the resources of kolkhozes and sovkhoses built and allocated 612 premises, while the plan called for 500.

[Question] How is the cadre problem being solved?

[Answer] The question, as they say, is the topic of the day. Many defects in personnel services are connected with this problem. It is no secret that not all personnel in the service sphere have the requisite vocational training. A big defect is cadre replacement--up to 30 percent yearly. This comes from the difficulties connected with departures and with pay.

I would like also to speak of other difficulties. There is a shortage of specialized transport and of fuel. Five hundred of the comprehensive receiving centers are located in unsuitable quarters and lack conditions for providing the population with services in full volume.

With the aid of party, soviet and operational organs, we hope to solve all these problems so that rural services are in conformity with the requirements of the 26th party congress, the May and November plenums of the CPSU Central Committee and the decree of the CPSU Central Committee and the USSR Council of Ministers "On Further Developing and Improving Personal Services for the Population." In measures worked out by the Central Committee of the Communist Party of Belorussia and the republic government, special attention will be devoted to the further development of the material-technical base of personal-services enterprises in rural localities and the improvement of services for the rural population.

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## HOUSING AND PERSONAL SERVICES

### READERS' LETTERS ON NEW HOUSING CODE ANSWERED

Vilnius SOVETSKAYA LITVA in Russian 22 Jun 83 p 2

[Article by M. Kaplanas, chief of a department of the Lithuanian SSR Public Prosecutor's Office: "Procedure of Housing Allocation and Payment," "Juridical Service of Soviet Lithuania"]

[Text] As of 1 January 1982, the Fundamentals of Housing Legislation of the USSR and Union Republics went into effect and as of 1 March 1983--the new Lithuanian SSR Housing Code as well as the Statute on the Procedure of Granting Housing in the Lithuanian SSR.

The editorial office has been receiving letters from readers with the request to provide an explanation of individual statutes of the new housing legislation.

~~What is the established floor space norm, what is the minimum amount of~~  
payment for its extras?" A. Bronnikova from Vilnius asks.

Minimal size of floorspace is not less than 9 square meters per person as established by the Fundamentals of Housing Legislation. The union republics have the right to determine its specific size. Taking into account the conditions of our republic, the Lithuanian Housing Code has determined the floorspace norm per person to be 12 square meters. For some cities, a decree of the Lithuanian SSR Council of Ministers permits the setting of a higher floorspace norm. At the present time, in the cities of Vilnius and Kaunas, the floorspace norm per person is 13 square meters.

The floorspace allowed a renter and members of his family on the basis of this norm is paid for in the regular amount. Payments for extra floorspace are also paid for in the regular amount if its size for the whole family does not exceed one-half of the floorspace norm allowed per person. Payment for the use of the rest of the extra floorspace is made in a higher amount as established by the USSR Council of Ministers and the Lithuanian SSR Council of Ministers.

The new housing legislation does not permit as an exception extra floorspace in the form of an individual isolated room. Together with this, the housing code specifies that a renter, not desiring to pay for extra floorspace at a

higher rate, has the right with the consent of members of his family to demand of the executive committee of the local soviet of people's deputies, of an enterprise, institution or organization (depending on to whom the housing belongs) that he be granted in accordance with established procedure a dwelling of smaller size in place of the one he occupies.

A renter having the use of an individual apartment may also apply to put other citizens of his own choice who are on record as in need of improved housing conditions into an extra isolated rooms whose size is no smaller than the abovementioned norm. On granting of the application, a separate renting contract for the housing is concluded.

"What norm of provision of floorspace can citizens who are in need of improved housing conditions count on and in what size is the floorspace granted?" N. Khrupova from the city of Ukmerge asks for an explanation.

The statute on the manner of granting housing space specifies that citizens who are considered to be in need of improved housing conditions are those with floorspace for each member of the family of 5 square meters or less. This norm does not apply to persons living under subleasing conditions or according to renting contracts in buildings belonging to housing-construction cooperatives or in individual housing and to persons living in dormitories with the exception of seasonal and temporary workers as well as to citizens who are residing in connection with study in a dwelling (housing) that does not meet prescribed sanitary and technical requirements regardless of the size of the occupied floorspace. All the persons referred to here are considered not to have housing.

Part 2 of Article 41 of the housing code provides that housing is to be granted within the limits of the floorspace norm but of no smaller size than that set by the Lithuanian SSR Council of Ministers. The statute on the procedure of granting housing prescribes: the accommodations must not be less than 7 square meters per person. This norm is used not only in cases where housing is granted a second time but also then when it is granted in connection with the eviction of citizens from houses that were torn down, houses threatening to collapse or due to the building being converted to nonresidential use.

"Is the waiting list for improvement of housing conditions the same for war invalids, single mothers and young specialists or for each group individually?" V. Kotel'nikov from the city of Siauliai is interested in knowing.

Depending on circumstances, new housing legislation provides for the granting of new housing to citizens with old housing both on general grounds and as priority and nonpriority. It is enough to say that both invalids of the Great Patriotic War and single mothers, families with many children, workers and employees conscientiously working at an enterprise or organization not less than 15 years and certain other categories of citizens enumerated in the law have the same right to priority.

Young specialists are granted housing without being put on a waiting list. But such a privilege may be exercised only by those specialists who in connection with allocation are sent to work in another locality. For young specialists residing in dormitories or turning down a place in a dormitory the place in the waiting list for granting of housing is done according to general procedure.

In those cases where a young specialist working by designation at an enterprise has not been granted housing in the first three years of work, he does not lose the right of a young specialist to housing and cannot be excluded from the list for obtaining nonpriority housing.

The order of priority of providing housing to citizens with the right to non-priority or to priority procurement of housing is established separately. Housing is allotted proportionally on the basis of allocation by purpose.

The statute on the manner of allocation of housing establishes that in the determination of order of priority the basic factor is the date of putting citizens on the list and, other things being equal, by the degree of their provision of housing, length of work at the given enterprise, institution or organizations, participation in public activities and so forth. Change of the order of priority is permitted only in exceptional cases.

"What is the procedure of renting freed space in an apartment?" V. Merkas asks from Klaipeda.

The housing code variously resolves this question, depending on whether the freed space in an apartment is isolated or not.

If a room in an apartment in which the renter lives is freed and is not isolated from the space occupied by him and is contiguous to him, that room is subject to be turned over for his use. A freed isolated room may be turned over by the executive committee to the renter staying on in the apartment in observance of rules of improving the housing conditions of citizens. If in an apartment where two or more families live isolated housing space has been released it is occupied by persons living in this apartment who have been put on the register for persons in need of improved housing conditions or who have the right to be put on the register. In the absence of such citizens, the freed dwelling space is occupied according to general procedure.

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## HOUSING AND PERSONAL SERVICES

### GAGRA TOURIST SEASON DISCUSSED

[Editorial Report] Tbilisi KOMUNISTI in Georgian on 2 July 1983 page 3 carries regular Abkhazia reporter I. Gobachia's 1300-word article concerning tourist facilities, capacity, accommodations, and attractions in what has come to be known as the Greater Gagra resort area, whose population balloons in the tourist season and which has to accommodate not only scheduled guests but also unscheduled ones, and generally does a good job. He lists a number of new or expanded facilities and infrastructure, including roads. On the minus side, food services are much overloaded, and while vegetable supplies are generally adequate, fruit supplies are not. Transportation is one major factor. In addition, there has been a shortage of bottles supplied to plants that purvey beverages, including the local Pepsi-Cola plant. Another sore point is lack of sufficient accommodations for motor-ing tourists, also stores supplying spare auto parts.

### GEORGIAN TOURISM TO BECOME 'MAJOR ECONOMIC SECTOR'

[Editorial Report] Tbilisi KOMUNISTI in Georgian on 9 July 1983 page 3 carries an 1800-word article by G. Dzhokhtaberidze, chairman of the Georgian Republic Tourism and Excursions Council, concerning Georgia's tourism potential (in terms of volume it already ranks third, behind the RSFSR and the Ukraine), certain shortcomings, and unrealized opportunities. Various statistics are given. Among shortcomings, the author notes that conveyances for all the popular forms are less than sufficient--buses, trains, aircraft--and horseback tours are not developed enough. Not enough of the local population is involved in promoting the industry. Development of mountain resorts and touring is hampered by the fact that the various construction outfits "don't have time" for this kind of work. Among numerous opportunities, the author points out that while the upper Black Sea Coast is fully developed, the shores from Poti south to Kobuleti are "a virtual virgin land," where hotels, resorts, and other facilities on a grand scale could be built to rival Bulgaria's famed Golden Sands. Recreation zones, could be created in the cities, outfitted with swimming and wading pools, sports, facilities, and the like. Cultural and historical monuments should be restored and made into popular attractions. The GCP Central Committee has set up a commission to study the matter and envisions a long-range plan (1986-2010) to make Georgian tourism a major economic sector.

In a related 300-word Gruzinform piece, Kostas Kiriazis, president of the European Tourism Association and also president of the Greek National Tourism Organization, describes the pleasant tour he and his family took in Georgia and speaks of the good potential for exchanges between the two republics, especially considering the centuries of Georgian-Greek relations in the past. He adds that the Papandreou government and the Greek people are doing everything they can to strengthen friendship and cooperation between Greece and the USSR, and they support Soviet peace initiatives. Greece is in the vanguard of the movement to make the Balkans a nuclear-free zone.

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## CONSUMPTION TRENDS AND POLICIES

### PLEA FOR INCREASED EFFICIENCY IN LIGHT INDUSTRY AIRED

Moscow TEKSTIL'NAYA PROMYSHLENNOST' in Russian No 7, Jul 83 pp 1-3

[Unattributed article: "Tasks in Regard to the Acceleration of Scientific-Technical Progress in Light Industry"]

[Text] The CPSU Central Committee and the USSR Council of Ministers have adopted the decree "On Additional Measures to Improve the Supply of the Population With Consumer Goods During the Years 1983-1985".

The decree notes that, in spite of the increase in the output of consumer goods, the demand for many of them is not being fully satisfied.

As the decree indicates, in conditions of the growing saturation of the market with goods questions of the assortment and quality of articles acquire decisive significance. In enterprises of the USSR Ministry of Light Industry the output of articles is being allowed which violate the requirements with respect to standards and technical conditions, obsolete models and designs that do not find a market and accumulate in the trade network.

The ministries and departments of the USSR have been charged with a significant increase in the output of new goods of improved quality with increased consumer properties. . . . To examine the state of affairs with respect to the production of goods in the industries, to increase the exactingness in regard to the economic managers for the fulfillment of the established plans and tasks.

The main thing in the solution of the formulated task is the acceleration of scientific-technical progress in light industry. An open party meeting took place in the USSR Ministry of Light Industry, which was devoted to this question.

In his speech, the minister of light industry, N. N. Tarasov analyzed the state of affairs in the industry after having subjected the work in regard to the securing of the output of articles of the necessary assortment and quality to special criticism. He noted that during the past few years systematic work



has been conducted in the enterprises of the industry in regard to the further expansion and renewal of the assortment of goods and the improvement of the quality of production. This is a comprehensive system of quality control, the development and introduction of new articles, the comprehensive standardization of production of the most important types of products.

In 1982 a new procedure for the creation and production of new commodities enjoying increased popular demand was introduced, a procedure which envisages a reduction of the time periods from the development of a new assortment to its being put into production. Four hundred twenty-four experimental factories and sections have been created in the industry for the output of the first experimental lots of new commodities. Seventy-two firm stores of the industry are operating.

However, this organizational work has not yet yielded notable advances in quality.

For example, a comprehensive system of quality control of production has been introduced in 9 out of 10 enterprises of the industry, i. e., it has attained almost 100 percent scope. Simultaneously work is being done in regard to the creation and introduction of sector systems of quality control of production on the various levels of management. Nevertheless the volumes of goods transferred to lower grades and returned by the wholesale bases of the ministries of trade of the union republics as a whole for the USSR Ministry of Light Industry have increased; thus, for wool fabrics from 8.1 percent [of the verified quantity] in 1981 to 8.6 percent in 1982, and for knitted goods--from 5.2 to 6 percent respectively.

Instances are being permitted of the transfer of goods to lower grades and return for repair which have been awarded the State Emblem of Quality.

Another example is standardization. It constitutes the organizational-technical foundation of the multi-faceted and complex work in regard to the administration of quality control of production on all its levels. In 1982 the preparation of materials was completed for 241 state and 242 industry standards and technical specifications of the USSR Ministry of Light Industry.

Work is being done on the realization of 14 programs of comprehensive standardization encompassing all everyday fabrics, footwear, clothing and knitted goods and other articles. However, as the results of 1982 show, the timely agreement and presentation for the maintenance of 12 industry standards were not secured.

The management of the ministries did not scrutinize the course of the implementation of the programs of comprehensive standardization "Cotton Household Fabrics", "Linen and Semi-Linen Household and Technical Fabrics", "Woolen and Semi-Woolen Fabrics", and others.

An important role in the system of quality control of production is allotted to the certification of articles in terms of categories of quality. For the first time an industry standard has been developed and introduced as of January 1 of the current year in the light industry, which establishes a single procedure for the conduct of the certification of products in terms of categories of

quality. However, the confirmation and forwarding of this list to the enterprises is being delayed because of the protracted process of submitting the document to the administrations of the development for approval.

The successful solution of the tasks confronting the light industry in the 11th Five-Year-Plan and in the future depends to a large extent on the activity of scientific research organizations.

Of great significance for the increase of their efficiency was the transfer of scientific research, design and technological organizations and production associations to a cost accounting system of the organization of work in regard to the creation, mastery and introduction of new technology on the basis of order warrants (agreements). Their introduction made it possible to eliminate duplication in the execution of individual work operations, increase the responsibility of the leading institutes for the development of the topic, and to reduce the multiplicity of topics. Thus, in 1982 the number of topics being developed decreased by 131, or by 15 percent, compared to 1981.

For 1981-1985 5 scientific-technical programs of the light industry have been approved, for the implementation of which organizations of 12 ministries of associated industries, scientific organizations of the USSR Academy of Sciences and institutions of higher education have been brought in. However, in all scientific research institutes there is a lack of work which comes up to the world level of scientific and technological achievements. In the Central Scientific Research Institute of the Cotton Industry, such work accounts for only 5.4 percent, in the Central Scientific Research Institute of the Wool Industry--4.5 percent, in the Central Scientific Research Institute of the Bast-Fiber Industry--25 percent, in the All-Union Scientific Research Institute of the Knit Goods Industry--8.8 percent, in the Central Scientific Research Institute of the Garment Industry--28.6 percent, in the Ukrainian Scientific Research Institute of the Leather and Footwear Industry--8.3 percent, and in the All-Union Scientific Research Institute of the Textile and Notions Industry--22 percent, etc.

It was noted that it is necessary to strengthen the influence on the increase in the effectiveness of the activity of scientific research institutes. One of the levers for this influence is an exacting approach to the acceptance of scientific research developments.

In spite of the fact that in the past few years the quantity of scientific research utilized in industry has increased and in 1982 amounted to 80 percent, in some scientific research institutes this indicator remains at the level of 60 percent.

Because of the lack of necessary control, work dealing with petty topics is included in single plans of introduction and the fulfillment of plan positions is not secured.

It was emphasized that the greatest shortcoming of the industry scientific research institutes, modeling and design organizations is the poor work with respect to the creation of a new modern assortment. Its propagation is also

inadequately conducted on the part of the All-Union Institute of Variety Goods of Light Industry and Fashion, and the role of this organization in the creation of modern clothing and footwear has been belittled.

The results of the fairs for the sale of goods in 1983 showed that there was a change in the market conditions for a number of articles, and the demand decreased sharply. We are talking about silk fabrics made of acetate thread, wool fabrics and clothing articles made of them. As a result, goods for a significant sum were not purchased by the trading organizations. Moreover, some enterprises were not able to propose an assortment in exchange for the one eliminated.

Comrade N. N. Tarasov pointed out the necessity of bringing about a sharp increase during this year in the output of new commodities of improved quality, distinguished by high consumer properties. For the ministry as a whole, the production of such commodities must double.

The demand was advanced to organize work on the preparation and output of such goods in every House of Fashions and in every modeling and design organization in order to develop industry collections in the shortest possible time and, jointly with the enterprises, to introduce them into mass production.

The attention of administrations of development and institutes was drawn to the weak study of questions of the utilization of foreign experience.

The scientific research institutes, the design and modeling organizations are obligated to be conductors of technical progress in the industry, to secure fully the task which they have been given with respect to the search for the most rapid and most efficient ways of increasing the production of goods for the people and improving the assortment and quality of production.

The solution of the task that has been formulated is closely connected with the necessity of the most rapid introduction of new progressive technological processes and the equipment of the enterprises with modern, highly-productive equipment.

In 1982 the scientific research institutes, industry administrations of development and technical administrations developed and submitted to the Ministry of the Light Industry 82 applications with initial requests for the planning, manufacture and test production of experimental-industrial models of new technological equipment. Tests of 74 models were conducted, 35 of which were recommended to interdepartmental commissions for full-scale production. However, the situation in the industry with respect to equipment remains difficult as before. During the two years of the current five-year-plan, the production of 20 types of new equipment out of 36 was not mastered. The technical equipment that is turned out significantly lags behind the level of the best models. The provision of industry with respect to the most important types of equipment amounts to less than 50 percent of the demand. Nevertheless before the end of the past year applications for the manufacture of necessary machine tools and machines were not submitted to a number of administrations of development of the USSR Ministry of Light Industry.



It was indicated that it is necessary to concentrate all forces, the entire scientific potential of the industry institutes on the creation of the latest technological processes and equipment, designed for the output of in principle new articles on the level of, or on a higher level than, world models, and the activity of scientific research institutions must be assessed proceeding from these criteria.

In 1982 alone, approximately 152,000 units of new technical equipment were installed in enterprises of the light industry, which made it possible to increase the technical level of the industry. Thus, the cotton industry continues to be equipped with pneumatic-mechanical machines of type BD-200, and modern processes of mercerization and boil-off are being introduced. Shuttleless looms in this industry now constitute more than one-third of the total park, and in the silk industry--more than half. In the knit goods industry, single-process methods for the knitting of hosiery and sock articles are being introduced, as well as modern processes of trimming.

New technology is also coming to the enterprises of other industries. The introduction of modern machine tools and machines and advanced technology is exerting a positive influence on the increase of the output of high-quality products with reduced expenditures. However, in assimilating the new technology, the enterprises are doing a poor job preparing for their operation, they fail to realize its possibilities fully.

Uninstalled equipment in storehouses represents enormous unused reserves. In 1982, one-third of the equipment that had arrived remained in its storehouses. And this, as a rule, is highly-productive equipment intended for the output of goods that are in increased demand, for the expansion of the assortment and the improvement of the finishing of articles.

The necessity was emphasized to sharply increase the exactingness and the responsibility for the punctual preparation for the acceptance and use of new machines and machine tools.

A trend toward the reduction in the number of workers has developed in the enterprises of the industry. During the past 2 years, their number decreased by 48,000 persons, including 30,900 in 1982.

Such a situation calls forth the necessity of constant attention to the rational use of manpower, the reduction and elimination of unproductive losses of work time. For the USSR Ministry of Light Industry as a whole, according to data for 1982, the losses of work time because of idle time, loafing, and leaves of absence with permission of the administration amounted to about 0.7 percent of the time worked. In other words, every day 21,500 people did not work for these reasons, the losses in commodity production per year came to more than 600,000 rubles--this is the output of the entire industry for 2 24-hour periods. The rational utilization of manpower is an enormous reserve for the increase in production efficiency.

Another important reserve is the growth of labor productivity. In the cotton industry, for example, the assimilation of industrial service zones ranges from 90 to 140 percent.



The report emphasized that it is necessary to place this enormous reserve more quickly into the service of production.

During the past year, two most important documents were adopted: The decree by the CPSU Central Committee and the USSR Council of Ministers "On Additional Measures to Consolidate Personnel in the Production Associations and in Enterprises of the Textile and Some Other Industries of the System of the USSR Ministry of the Light Industry" and the decree of the CPSU Central Committee, the USSR Council of Ministers, and the AUCCTU "On Measures for the Further Increase of Labor Productivity in Enterprises of the Light Industry on the Basis of Every Conceivable Dissemination of the Brigade Form of Labor Organization and the Work Experience of Leading Workers in Regard to Service Zones for Equipment and the Reduction of Labor Expenditures for the Manufacture of Products".

These decrees provide great possibilities for the improvement of the utilization of workers and the increase of labor productivity. However, as comrade N. N. Tarasov pointed out, these possibilities are by far not fully used.

In spite of the measures being adopted in regard to the broad dissemination of efficient brigade forms of labor organization and incentive, this question is not being given the necessary attention in all enterprises. There are enterprises, where brigades are created in formal terms. The payment of labor in them is made not in accordance with a single warrant and without the application of the coefficient of labor participation. The creation of brigades is not supported by measures in regard to the engineering maintenance of production.

At the end of the past year, an experiment was conducted by the USSR Ministry of the Light Industry jointly with the Central Committee of the trade union in some enterprises in regard to strengthening the incentive of engineering and technical workers for their personal creative contribution to the brigade organization of labor and the increase of production efficiency. Very good results were obtained. In these enterprises labor productivity began to grow at an accelerated pace. It was noted that it is necessary to introduce this experience in every enterprise of the industry in the shortest time possible.

One of the most important questions is the organization of work according to economy and the rational utilization of all types of material resources.

The norm setting for material and raw material, from which our articles are manufactured, is done on the basis of industry norms developed by scientific research institutes and design organizations, as well as appropriate instructions and methods.

In the review of existing and the development of new industry norms for the expenditure of raw material and materials, the results attained in the sphere of the introduction of new technology, the improvement of technology, advanced work experience of the enterprise, new types of raw materials and materials and requirements connected with the securing of improvement of the articles being turned out, must be taken into consideration, as well as the results in regard to the reduction of the norms for the expenditure of raw material and

materials for the preceding period. However, the audits have shown that the plan norms for expenditure in the enterprises are not always confirmed taking into account the attained actual expenditure during the preceding period. This leads to incorrect planning and use of raw material and materials and is conducive to the formation of above-norm stocks of material resources, and sometimes also to their misuse.

Slow progress is also being made in the industry with respect to the reorganization for output of modern production with lower material-intensiveness. It was noted that it is necessary to attain not only a direct reduction of the expenditure of raw material per unit of finished production, but also the creation of a new assortment of fabrics, materials and articles, which, being less material-intensive, would fully meet the needs of the consumers.

In connection with this, attention was called to the necessity of the acceleration of the development of new technical processes which guarantee a reduction in the demand for raw material and materials, the creation of waste-free production technology, and the acceleration of the introduction of these developments in industry.

In the cotton industry, the process of the reduction of material-intensiveness of fabrics must be realized through increasing the share of chemical fibers in the total balance of raw material. This requires the elaboration of new mixtures of chemical fibers and cotton, the creation of new types of fabrics.

In the wool industry a firm policy must be set in the direction of the more efficient utilization of restored wool and production wastes in all assortment groups as the result of the creation of new high-quality fabrics.

In the silk industry the basic directions of the work in regard to the reduction of material-intensiveness involve the decrease of the mass of 1 meter of fabric by means of the use of chemical threads and fibers of lesser density.

In the knit goods industry the task has been formulated to develop an assortment of articles and fabrics of lighter weight with the use of new types of yarns while reducing production wastes.

Serious attention was given in the report to the lowering of production wastes and their secondary use in production output, as well as to the replacement of food raw material with chemical raw material. Every year the enterprises of the industry consume 45,000 tons of starch and 25,000 tons of flour, which recalculated in terms of potatoes and grain amounts to about 320,000 tons of food products. More than 3,000 tons of sunflower, flax, cotton, soy-bean and other oils are processed per year. A number of other food products are also used in the industry (gelatin, glucose, casein, oleic acid, table salt, ethyl alcohol, oleic soap, and others).

The administrations of development of the sub-departments and the All-Union production associations, jointly with the scientific research institutes, have developed and approved plans for the replacement of food raw material. However, the execution of the planned work will not solve the problem of the dis-

charge of starch products from production, since the efforts of the scientific research institutes are directed basically toward the development of technology with the utilization of already created, but deficit chemical materials, the shortage of which will be preserved in the current and the subsequent five-year-plans (polyvinyl alcohol, carboxymethylcellulose, polyvinyl acetate emulsion, acrylic derivatives, and others). Comrade N. N. Tarasov advanced the demand to search for more accessible and less deficit substitutes for food raw material, to reduce its use by means of the optimization of compounding and technology, the economy of materials, and to strengthen the contacts of the industry scientific research institutes with the scientific research institutes of the chemical, petrochemical, microbiological, food, and other sectors of industry.

The speaker also dwelt on the questions of the improvement of the planning and reconstruction of enterprises, having noted that there are quite a few successful projects in the industry. As a rule, the enterprises which are built or reconstructed on the basis of these projects, turn out high-quality production which enjoys great demand. But there are also still enough projects which are obsolete and do not meet the requirements of scientific-technical progress.

Every new project must be planned with regard to contemporary and--better--future technology and equipment, must be intended for the output of the most fashionable, the most promising assortment.

In conclusion, the minister called upon the workers of the industry to take all measures for the fulfillment of the tasks formulated by the party with respect to the further increase of the output and sharp improvement of the assortment and quality of goods for the people.

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## CONSUMPTION TRENDS AND POLICIES

### BSSR ON UNPRECEDENTED MERCHANDISE SALE

Moscow SEL'SKAYA GAZETA in Russian 31 Aug 83 p 3

[Article by unknown BELTA [Belorussian News Agency] correspondent: "In the Customers' Interests"]

[Text] An unprecedented sale at reduced prices covers many commodities of a spring and summer variety--native-produced articles as well as imported ones, the purchase of which was discontinued. The USSR State Committee on Prices and the USSR Ministries of Finance and Trade determined a list of them and the extent of the cost reduction. A sale on such an unprecedented scale is a new event for customers. A BELTA correspondent asked BSSR Deputy Minister of Trade N. K. Petrushkevich to comment on it:

"The purpose of the unprecedented sale at reduced prices is to involve many articles in merchandise turnover, the demand for which has changed owing to the force of circumstances, and to let production develop new ones more rapidly. And, of course, to assist customers in purchasing articles which perhaps are not too fashionable, but are high quality and durable for the prices, which are considerably lower than the current ones. Everyone turns out a winner in the present case: production, trade, and each one of us. Any goods not sold in a timely manner, you see, is someone's unpaid labor and material expenditures, and that's a minus in the state pocket.

In addition, it should be emphasized that the measures being carried out completely meet Soviet pricing policy--in proportion to increasing production and developing new commodities to make them become cheaper."

"Nikolay Kostantinovich, specifically what will a customer gain from the sale of commodities at reduced prices?"

"According to our preliminary calculations, the republic's population will realize a gain amounting to more than 40 million rubles from the reduced prices.

In addition, I would like to emphasize that the prices for commodities which are popular with customers are being reduced. Here are several examples. Beginning 1 September many microcalculators will be cheaper by 30 percent, and the demand for them is quite high.



The prices for a spring and autumn coat and many kinds of clothing and knitted wear sewn two years ago are being reduced by 40 percent.

And there is still one factor of no small importance. Now and then commodities remain on the counters not because more of them were produced than the trade enterprises ordered or they have become out-of-date. For example, this year a light winter 'let us down.' A lot of warm clothing and various signs of the winter rest remained in the warehouses. But I'm sure that now everyone will buy them more quickly at the reduced price than during the winter at the full price."

"Tell us specifically please what will be on sale in the republic at reduced prices."

"We already spoke about microcalculators and clothing and knitted wear. In addition to these commodities, imported carpets and handmade napless rugs, bedspreads and pillowcases, and knitted linens will be on sale at a discount of 30 to 40 percent. Prices for many kinds of fabrics will be reduced by 20 to 30 percent. One can make ornament fanciers happy for awhile: they will pay 40 percent less for Indian beads made of semiprecious stones, 50 percent less for wooden articles, and 60 percent less for ivory articles.

Prices for metal, plastic, and textile notions; souvenirs made from metal, wood, straw, and flax fiber; and wristwatches are being reduced by 25 to 40 percent."

"The readers are probably interested in where one can purchase these commodities."

"In those same stores where they could before the reduction. Special sections and departments will be marked for them, and on certain days it is planned to lease the premises of clubs, gymnasiums, and so forth. For example, in Minsk the sale will be held at the Komarov and Kurasovshchin markets, at the pavilions on Nemig and Kedyshko streets, and near the Frunze department store and the department store on Volgograd street. You can also purchase the commodities at reduced prices at special fairs and bazaars. There will be two prices on the price list for each article--the previous one and the current one--so that the customer will be guided more easily to what is more advantageous for him to purchase.

In conclusion, I would like to emphasize again that in the first place the unprecedented sale at reduced prices is being held precisely in the customers' interests."

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## CONSUMPTION TRENDS AND POLICIES

### NEW BOOK SURVEYS RETAIL PRICE SYSTEM

Moscow SOVERSHEENSTVOVANIYE SISTEMY ROZNICHNYKH TSEN (NOVOYE V ZHIZNI, NAUKE, TEKHNIKE: SERIYA "NAUKA I TEKHNIKA UPRAVLENIYA") in Russian No 7, 1983 (signed to press 25 May 83) pp 2-63

[Book "Improvement of the Retail Price System" by Anatoliy Aleksandrovich Deryabin,\* chief of the Sector of the Theoretical Foundations of Planned Pricing of the Economics Institute of the USSR Academy of Sciences, and In'yatulla Katsudovich Salimzhanov,\*\* Izdatel'stvo "Znaniye", 23,500 copies, 64 pages]

[Text] The pamphlet offers a description of the present system of retail prices and shows its features and the stages of its formation. The objective foundations of Soviet price policy and the scientific and organizational-methods requirements for the planned setting of retail prices and their management are set forth. The processes of setting prices so as to take into account various price-forming factors and the changes taking place in production and sale of consumer goods are elucidated. The main directions for further improvement of the retail price system are examined.

The pamphlet is intended for readers interested in management of the economy, for lecturers, propagandists, and those studying in people's universities and the economics education system.

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\*\* I. K. Salimzhanov, doctor of economic sciences, has written on planned pricing, including the monographs "Tsena--planovyy instrument ekonomicheskogo upravleniya" [The Price--A Planning Instrument for Management of the Economy], Moscow, Ekonomika, 1974; and "Tsena, kachestvo, effektivnost" [Price, Quality, Efficiency], Moscow, Ekonomika, 1979; etc.

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To Assist the Lecturer

## Introduction

In the stage of mature socialism the problems of carrying out the elaborate program for society's social development and for raising the people's standard of living drafted by the CPSU are taking on particular importance. "The main task of the 11th Five-Year Plan lies in achieving a further rise in the prosperity of the Soviet people," it was pointed out at the 26th party congress.<sup>1</sup>

Raising the people's standard of living will be achieved primarily by raising the wages of workers and employees and the income of kolkhoz members as labor productivity increases and the vocational skills of the workers improve.

Yu. V. Andropov, general secretary of the CPSU Central Committee, has noted: "Real personal income will continue to rise in the future."<sup>2</sup>

Another important direction for raising the prosperity of the people is the increase in social consumption funds. Money payments to the public in the form of pensions, scholarships, benefits during temporary disability (payment based on sick leave cards), regular paid vacation and other payments make up a sizable portion of those funds. Thus the major part of personal income takes the form of money (wages and payments from social consumption funds).

But the rise of money income is not the only thing that is important to raising the material and cultural level of the people's living. They also need to acquire goods for that income and to pay for certain services with it. And it is quite understandable that the volume of goods acquired and services obtained in each particular case will depend not only on the amount of money income, but also on the level of those retail prices at which the public acquires various foodstuffs and industrial goods and consumes various paid services.

It is retail prices which determine the purchasing power of the ruble and consequently the real value of personal money income.

The role and importance of retail prices are not limited to that. They have an effect on development of the production of consumer goods, stimulating an increase in the output of articles which are necessary. At the same time, if

1 "Materialy XXVI s"yezda KPSS" [Materials of the 26th CPSU Congress], Moscow, Politizdat, 1981, p 38.

2 "Materialy Plenuma Tsentral'nogo Komiteta KPSS, 22 noyabrya 1982 goda" [Materials of the Plenum of the CPSU Central Committee Held 22 November 1982], Moscow, Politizdat, 1982 p 7.

retail prices are properly managed, it is possible to exert a vigorous influence in shaping a progressive pattern of the needs of the population, directly affecting the content and orientation of consumer demand. The role of retail prices is large in solving a number of society's social problems, above all in strengthening and developing the Soviet socialist way of life and in improving relationships in distribution.

The policy of retail prices of consumer goods and paid services is one of the essential elements of the CPSU's economic policy. It is very important in the field of planned pricing to guarantee stability of state retail prices of the principal foodstuffs and nonfood consumer goods.

Aside from that the interest shown in retail prices is very great. Everyone is disturbed by the questions of how to set up a price system; who is to set retail prices and manage them and how is this to be done; how is a given price level of a particular commodity to be determined rather than some other level, and how is that level to be substantiated; how are the diverse and numerous factors which can influence prices to be taken into account; what are the main directions for improvement of the retail price system, and many other questions related to the pricing of consumer goods.

In order to answer these questions we will first clarify what a retail price is.

The retail price is a complicated economic category. A strict scientific definition would require too much space and consideration of theoretical subtleties which are superfluous in this case. We will limit ourselves, then, to the most important aspect. First of all, a price is the money expression of value. Value is in turn a special and historically transient form of expression of the expenditures of social labor to produce each particular commodity.

But it would be a flagrant error to equate the actual expenditures of labor with the socially necessary expenditures of labor. The point is that society does not recognize all expenditures as necessary. For instance, all the inefficient expenditures related to losses, rejects, and so on, are not recognized as socially necessary, nor even sometimes, it would seem, are the minimum costs of producing goods produced beyond the need of society. As a result the actual expenditures may differ considerably from those which are socially necessary. But the features of the formation of socially necessary expenditures are not limited to this.

Under socialism it is not a matter of indifference to society as a whole nor to each of its members how much labor is expended to manufacture a particular product. An increase or decrease in those expenditures essentially signifies a reduction or augmentation of the capability to produce some sort of other articles, i.e., ultimately a reduction or rise in the level of satisfaction of all the specific needs of society at one and the same level of expenditures. For example, saving on metal in machinebuilding and construction does more than lower the cost of machines, buildings and installations. Thanks to this saving it is possible to allocate relatively less labor resources and capital investments to develop metallurgy, without reducing, but even increasing the



production of machines and the number of projects built. The resources saved may be committed to development of the textile or some other industry. All of this fully applies to all types of products.

That being the case, it is legitimate to set the task of achieving the overall maximum satisfaction of the needs of all members of society. Moreover, under socialism this is an objective necessity. But this result can, of course, be achieved only assuming the best distribution of all resources employed (labor, natural and production) among sectors and sections of production and assuming their best application. Assuming that these conditions are met, expenditures are acknowledged to be socially necessary and serve as the economic basis of the price.

The money form of the price not only allows, but even presupposes deviation of the price from the value. In the system of planned prices deviations of this kind are provided for in order to encourage the production of commodities in short supply (higher profitability of manufacturing the product is included in the price) or in order to stimulate the purchasing of goods which have particular social value by setting relatively depressed prices (drugs, sanitary goods and articles related to hygiene, and so on).

It can thus be said that the retail price, expressing the value of commodities in money form, is a consequence of a reckoning of various pricing factors. This is the price of the final sale. Let us examine in more detail the particular place retail prices occupy in the overall price system and the process of their formation.

#### General Description of the Retail Price System

**The Price System.** All prices in effect in the economy are usually divided into purchase prices and wholesale prices, transportation and communication rates, prices of the product of construction, retail prices of consumer goods, and prices and rates for housing and utility services, consumer services, and other paid services.

Industrial products of state and cooperative enterprises and organizations are sold at wholesale prices to other state and cooperative enterprises and organizations. The agricultural products of kolkhozes and sovkhozes are purchased by procurement organizations at purchase prices. Surpluses of farm products are also purchased at those same prices from the rural population. The prices of the product of construction are used for accounts with construction organizations. Consumer goods are sold to the public at retail prices. Settlement for services of various kinds is made as a rule in accordance with special prices and rates.

In the unified price system each individual price and each group of prices is interrelated with the others. That interrelationship is also predetermined by the interdependence of all enterprises, production operations and sectors within the country's national economic complex. For instance, the level of costs in the extractive and manufacturing branches of industry, and consequently the prices of the products of those sectors in the regions where they

are consumed or used, depend on freight rates. The level of wholesale prices in turn influences costs in agriculture and in sectors producing consumer goods. Prices of semifinished products and finished products manufactured from raw materials originating in agriculture depend on the level of purchase prices.

The interrelationship among prices does not preclude changes in individual prices. The raising or lowering of a price or group of prices need not absolutely be accompanied by a corresponding change of others. However, these changes are possible only within certain limits.

The price system can and should be viewed as an element in a complex system--the system of the national economic plan. The most important characteristics of the price system are predetermined by the organization of the socialist economy according to a plan and by the procedure adopted for national economic planning. Under the centralized national economic planning that exists in the USSR, only in rare cases is it permitted for prices to be set by negotiation between producers and the consumer. The setting of prices as a function of planning makes it possible to take into account the interests of the entire economy and of the entire nation and strengthens the system of the unified national economic plan.

**Types of Retail Prices.** The entire set of retail prices is divided into state prices, commission trade prices and kolkhoz market prices. State retail prices are set in accordance with established procedure by agencies for planned pricing and are included in price lists. Consumer goods are sold at those prices in state and cooperative trade.

Commission trade prices are formed when consumer cooperatives sell surpluses of farm products of kolkhozes and the rural population on commission. The kolkhozes themselves set the price at which their products are to be sold to the public. The consumer cooperative withholds from that price its commission, the costs of delivering the products to the sales point, the costs of loading and unloading, natural loss, and so on. Surpluses of farm products are purchased from the rural population at prices set by agreement between the parties: those delivering the products and the board of the cooperative organization.

Prices of industrial commodities sold through specialized commission stores are set by applying the degree of their wear to the state retail prices of those commodities. Commission trade prices of imported goods on which retail prices have not been set are established by comparison with the retail prices of similar goods of domestic manufacture so as to take into account the quality, style and wear of the goods being sold.

Kolkhoz market prices are set on kolkhoz markets under the influence of the relation between supply and demand and are the result of agreement between the seller and the buyer. State retail and purchase prices have a considerable regulating influence on kolkhoz market prices (along with the volume of produce brought to market).

State retail prices are divided into uniform all-union prices, zonal prices, republic prices and local prices depending on the extent of their application.

Uniform prices are set on basic nonfood commodities and certain foodstuffs on the basis of uniform wholesale prices of the respective commodities. The economic bases of the uniform retail prices are the approximately equal conditions for production of the commodities throughout the entire country (when they are produced everywhere), the negligible share of shipping costs in the production and sale cost structure (when the production of certain commodities is concentrated only in certain regions), and finally, the possibility of full satisfaction of the needs of the public for these commodities through state and cooperative trade.

Retail prices of basic foodstuffs and certain industrial goods (forest products, furniture, glass products, and so on) are differentiated by zones as a function of essential differences in the level of production and distribution costs of those commodities from one region of the country to another. For foodstuffs natural and climatic conditions of the various regions, which have a decisive effect on the production cost level of agriculture, are the principal factor. Conditions related to the location of production and the level of specialization and concentration are the most important factors in the differentiation of the prices of nonfood commodities.

Retail prices of almost all basic foodstuffs are differentiated by three zones. The first zone, with the lowest retail price level, includes the regions: Southwest, Central Chernozem, West Siberia, North Caucasus, Middle and Lower Volga, Kazakhstan, Central Asia, the Baltic Republics, and the Bashkir, Mordovian and Tatar ASSR's. The second zone, whose prices are approximately 5 percent higher than the prices of the first zone, includes the regions: Northwest RSFSR, Nonchernozem Center, the Urals, East Siberia, and the Transcaucasus. The third zone, whose prices are approximately 12-15 percent higher than the prices of the first zone, includes: Northeast RSFSR, Yakutsk ASSR, Magadan, Kamchatka and Sakhalin Oblasts, northern rayons of Buryat ASSR, Krasnoyarsk Kray, and Irkutsk, Tyumen and Tomsk Oblasts. This is the general distribution by zones. It might differ from commodity to commodity.

Retail prices set respectively by the pricing authorities of the union republics or ASSR's, krays, oblasts and cities under republic jurisdiction come under the head of republic and local prices. Differences in retail price levels of the same or similar goods from one republic, kray, oblast or city to another are justified by objective data on production costs and profitability, data on personal income, the public's need for the particular commodities, and so on.

With respect to period of validity all state retail prices are divided into permanent prices and prices with a limited period of validity. The latter in turn may be either temporary prices or seasonal prices.

Permanent prices (they remain unchanged for 20-25 years or more) are the foundation of the retail price system that exists in the USSR. All other prices are set in relation to them or with reference to them. The major portion of foodstuffs and industrial consumer goods are sold at permanent retail prices.

Temporary retail prices are set on new consumer goods of improved quality (for 3 years), on goods produced under temporary technical specifications, on certain lots of imported goods (up to 3 months) and on comparatively small lots of domestic goods.

Seasonal retail prices are set in ASSR's, krais, oblasts and cities under republic jurisdiction on potatoes, vegetables, fruit, melons, grapes, berries, and so on.

**Stages in the Setting of Prices.** The system of prices of consumer goods differs considerably from the system of prices of goods for production and technical purposes. And one of the distinctions is that the production and sale of consumer goods involve all the sectors of the economy: agriculture, industry, material and technical supply, wholesale trade and retail trade. This predetermines that there be stages in the setting of prices.

Take, for example, rye bread. It is quite clear that purchase prices of grain represent the first stage. These prices must reimburse kolkhozes and sovkhoses the costs of growing the rye and furnish them the profit necessary for further development of the farms.

As a function of natural and climatic conditions the purchase prices of rye (as indeed of all farm products and raw materials) are differentiated: the price is lower where the conditions are better, and higher where they are worse. The difference in the price for certain produce and types of raw materials may be two- or threefold. The use of prices differing so widely would complicate the activity of elevators and grain-receiving stations were they used to keep records of their operation. As a practical matter it would not be possible to implement cost accounting (khozraschet), since the results would depend almost entirely on the prices (high or low) at which the rye was purchased. To avoid this a uniform accounting price is set on rye that is equal to the sum of the average purchase price and the average transportation and procurement costs--the second stage of pricing.

The grain procured is used up gradually. Its storage involves considerable expense. The elevators now sell the grain to flour-milling enterprises at wholesale prices which reimburse the elevators for the storage costs and afford them a certain profit assuming normal operation. This wholesale price will be equal to the sum of the accounting price, the storage costs and the profit of the elevators. Here we have the third stage in pricing.

The fourth stage is the setting of the wholesale price on rye flour. This price reimburses the costs of flour-milling enterprises and also the costs of storing the flour and guarantees a certain profit. This is the price at which large and small bakeries purchase flour.

The wholesale price of the rye bread is computed in the fifth stage. It is the sum of the costs of purchasing the flour, the costs of baking the bread and the necessary cost-accounting profit of large and small bakeries.



And finally, the sixth stage is the setting of the retail price of the bread. The final retail price must be equal to the sum of the wholesale price of the bread, the costs of organizations in the distribution sector and a justified profit of that sector.

But there are still many consumer goods produced at a loss (bread, meat and processed meat products, butter, etc.).

The actual income derived from the production and sale of consumer goods can be determined only by taking into account the profit and loss in all stages of production. As for agriculture, here one needs to take into account the various forms of subsidies which it receives.

**Basic Advantages of the Present Retail Price System.** The principal advantage of the Soviet retail price system is the state's monopoly over the setting and changing of the level of retail prices and rate schedules (as well as of other prices) of consumer goods and services rendered to the public. The rights of state administrative agencies at various levels in carrying out this process are strictly delimited and clearly regulated.

This fundamental advantage of the Soviet retail price system creates the objective conditions and prerequisites for managing the setting and movement of retail prices according to plan and completely eliminates arbitrary and frequent changes of retail prices in accordance with changes of market conditions.

The present retail price system guarantees general availability of the most important foodstuffs, housing, utilities and consumer services, medicine, sanitary articles and articles related to hygiene. The country's population is now able to buy practically all types of foodstuffs and industrial commodities. The diet of the family has become more uniform at differing levels of family income per member. There has been a steady rise in the per capita consumption of foodstuffs. The only exceptions are bread and potatoes. The drop in their consumption is also characteristic of an improved diet, especially in families with a low or moderate level of money income per member. This tendency is continuing to develop in the eighties in line with the Food Program. By the end of the 12th Five-Year Plan there will be a noticeable increase in consumption of high-quality products, and the diet will be considerably improved.

This advantage of the Soviet retail price system is especially evident if we take the example of prices and rates of housing services and utilities. The housing problem is one of the most complicated socioeconomic problems. Only a socialist society carrying out a huge program of urban and rural construction is capable of solving it. Our party regards solving the housing problem as a part of its economic policy.

Rent on housing in the USSR is the lowest in the world. The overwhelming majority of Soviet workers receive without payment modern and well-equipped apartments with the entire range of utilities. More than two-thirds of the costs of managing housing are financed by the state. The state's expenditures

to maintain the housing stock (insofar as it is not covered by the low rent) amounted to 7.3 billion rubles in 1981.<sup>3</sup>

Rent, payment for utilities and household maintenance represent only 2.7 percent in the breakdown of family expenditures of a worker or employee. It might be pointed out for purposes of comparison that in the advanced capitalist countries (United States, England, France and other countries) rent alone takes up between 30 and 50 percent or more of the workers' income.

In the capitalist countries rent is rising constantly. In the United States, for example, payment for housing increased almost 3.6-fold between 1960 and 1982. We need to bear in mind in this connection that the initial level of the payment for housing was also high.

The level of rent in the USSR has not changed for more than four decades now (13.2 kopecks per square meter of living space per month).

The rate level for most utilities is also set below the level of socially necessary expenditures of labor in the USSR. Certain expenditures, which are sometimes sizable, are not included in the costs of providing municipal services. For instance, the costs of track maintenance are not included in the costs of municipal transport.

Another advantage of the retail price system in effect in the USSR is that relatively low prices are maintained on goods for children (baby foods, children's clothing and footwear, school and writing supplies). In most cases the retail prices of children's goods do not even cover the costs of their production and sale. Various methods are used to maintain the relatively low prices of goods for children:

- i. gradual elimination of payment (for example, school textbooks for the early grades);
- ii. the turnover tax does not occur in the retail price structure for practically all children's goods;
- iii. the minimum rate of profitability (substantially lower than the average for the sector or branch) is applied in setting wholesale prices of children's goods;
- iv. below-cost prices are often set deliberately on new articles for children (if the analogous product or product being replaced was produced at a loss);
- v. materials and supplies (for example, fabrics) are delivered for production of children's goods at retail prices to which sizable discounts are applied (between 15 and 50 percent).

Thanks to these measures the retail prices of goods for children, above all for clothing and footwear, are between one-half and one-third of the prices of

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3 "Narodnoye khozyaystvo SSSR, 1922-1982" [The USSR National Economy, 1922-1982], Moscow, Finansy i statistika, 1982, pp 431, 419.

the analogous goods for adults or even lower. We might note that in practically all the capitalist countries the difference between the prices of goods for children and those for adults is negligible and does not exceed 10-15 percent.

In our country low prices are guaranteed on services so important to social welfare as sanatorium and health resort service, nursery schools, day nurseries, Pioneer camps, the services of physical and cultural upbringing, and so on. For example, 80 percent of all costs of keeping children in kindergartens and nursery schools are paid by the state, and only 20 percent by parents.

Relatively depressed retail prices of cultural and recreational goods (musical instruments and supplies, sporting goods, camping supplies and the like) are maintained in the USSR on behalf of harmonious development of the personality. For instance, if we compare the retail prices of footwear manufactured from approximately the same material but for a different functional purpose (for everyday wear and sports), then the retail prices of the athletic footwear will be much lower than on footwear for everyday use. Retail prices of musical instruments and supplies are set so that the share of net income is relatively smaller in the price structure than in the structure of retail prices of most durable goods.

The retail prices in effect for most durable consumer goods and housewares make it possible for practically all families to acquire them regardless of where they live (urban or rural area) and their level of income. It is significant that the growth rates of consumption of these goods by rural families are higher than for urban families. As a result the adequacy of supply of durable consumer goods and housewares to the rural population has come substantially closer to that of the urban population.

Yet another advantage of the Soviet retail price system is its stability over a lengthy period of time.

Retail prices of the principal foodstuffs and nonfood commodities have not changed essentially for two decades. In the years that have passed the level of retail prices has dropped repeatedly for drugs, many durable consumer goods and housewares, goods manufactured from raw materials of industrial origin (for example, articles made from synthetic fibers) and many other goods. The raising of retail prices has mainly affected only goods for which there is a limited demand (crystalware, carpets and the like) or goods whose consumption does not serve the purposes of harmonious development of the personality (alcoholic beverages and luxury items), or, finally, goods whose increased output is objectively limited by natural conditions (fish and caviar of the sturgeon and salmon families, crabs, articles made from natural fur). But all these changes of retail prices taken together have not brought about any sort of essential shifts in the overall system of retail prices.

But in the capitalist countries prices of consumer goods and paid services have been rising constantly. This increase was especially large in the seventies. It is continuing at the present time. For example, by comparison with 1960, 1981 prices had increased threefold in the United States, almost 2.3-fold

in West Germany, almost sixfold in Great Britain, fourfold in France, and 4.3-fold in Japan.

An essential advantage of the Soviet retail price system is the uniformity of prices over the entire area of the country. Only foodstuffs and a small portion of industrial goods are subject to zonal differentiation. The uniformity of prices over the entire country guarantees the same purchasing power of the ruble in all regions of the USSR. This has not only economic importance, but also very great importance to social welfare.

**Features in Development of the Soviet Retail Price System.** Numerous and diverse factors influence the level and dynamic behavior of retail prices. If we attempt to group them, then we will first of all single out those influencing the level of a product's production costs. The lower those costs, the lower the prices can also be, other things being equal. As for consumer goods, this relation between production costs and retail prices is quite obvious. Equally obvious is the connection between production costs and wholesale prices of the means of production. It is a much more complicated matter to see the dependence of retail prices on costs in the manufacture of the means of production. It is difficult to imagine that there is a dependent relationship between the retail price, for example, of children's toys and the costs of mining coal and iron ore, between the retail price of dairy butter and the production costs of lathes.

Yet such a functional relationship not only exists, but is even one of the most significant. Economy of expenditures of social labor in one section of social production broadens the possibilities for increasing production not only in that section, but in other spheres of production as well. That is why it turns out that a rise of labor productivity in mining coal and ore, a reduction of their production cost, results either in an increased production of these minerals or use of the labor saved in production of other products.

Thus the level and dynamic behavior of retail prices depend on the rise in the efficiency of social production as a whole, and the rise of productivity of all social labor and on reduction of the production costs of the entire social product.

The second group of factors is related to use of various forms for raising the material and cultural prosperity of the people. The latter can rise along three directions: higher remuneration of labor, augmentation of social consumption funds and reduction of retail prices. There are three directions, but they have a single source--the rise of the productivity of social labor and, as a consequence, the increased output of consumer goods and services. Wages or money payments from social consumption funds can be raised and retail prices lowered only to the extent that commodity resources and the volume of paid services are increased.

The third consolidated group of factors influencing the level and dynamic behavior of retail prices pertains to ensuring correspondence between the public's effective demand and the supply of goods and services. It is not only the overall balance that is important here, but also the correspondence with



respect to individual groups of goods and services and even with respect to their particular types. When money income rises, the pattern of demand changes sharply: the demand rises rapidly for certain goods and services, it drops for others, and the demand for still others remains unchanged.

These are the basic groups of factors influencing the level and dynamic behavior of retail prices. We will be coming back to an analysis of some of them. At this point it is worthwhile to examine a question which often arises: Why is it that at present retail prices of principal foodstuffs and nonfood consumer goods are not dropping as they did at the end of the forties and first half of the fifties?

Between 1948 and 1954 there were annual large-scale reductions of retail prices. But we will immediately note two circumstances. First, the large-scale price reductions occurred after retail prices had been raised sharply in 1946. In 1947 they were 3.2-fold higher than 1940 prices. Second, the majority of the gain from reduction of retail prices went to the urban population, which, unlike the rural population had guaranteed money remuneration of labor.

We will also discuss the other conditions that made it possible to carry out a reduction of retail prices at that time. A sizable share of consumer goods was manufactured from agricultural raw materials. That is why the level and dynamic behavior of retail prices depended first of all upon expenditures of the state to purchase those raw materials. In the period being analyzed extremely low procurement and purchase prices for the products of agriculture were in effect.

A sizable difference between procurement and purchase prices and retail prices came about because in the thirties and forties retail prices increased at a several times faster rate. The extremely low procurement and purchase prices, making it possible for the state to obtain sizable income in selling consumer goods manufactured from agricultural raw materials, at the same time held back the development of agricultural production.

This situation was intolerable, and the process of raising prices of the products of agriculture began in 1953. The purpose of this increase was to place agriculture on a sound economic foundation for its future development, to guarantee a real rise in the standard of living of the kolkhoz peasantry and to bring it closer to the standard of living of the urban population.

Purchase prices were not raised by lowering the standard of living of the workers in other sectors of the economy, but by redistributing the revenues of the state to agriculture's advantage. Thanks to several raises of purchase prices, as a whole they were 5.8-fold higher in 1978 than in 1952.

In recent decades there has been a certain rise in production costs of practically all principal products of kolkhozes and sovkhoses. This, of course, has also made it necessary to raise the level of purchase prices.

The decree of the CPSU Central Committee and USSR Council of Ministers entitled "On Improving Planning and Economic Stimulation of the Production and

Procurement of Agricultural Products" (1981) again raised the purchase prices of principal farm products in the amount of approximately 3.65 billion rubles. At the May (1982) Plenum of the CPSU Central Committee a decision was also made to raise purchase prices as of 1 January 1983 on cattle, hogs, sheep, milk, grain, sugar beets, potatoes, vegetables and certain other produce by an annual total of 16 billion rubles.

The raising of purchase prices encourages larger production of farm products. We should also note the fact that possibilities of obtaining additional income by raising the productivity of social labor have diminished. For example, by the end of the fifties there was an evident tendency toward higher costs in the extractive branches of industry because resources in less favorable localities were being mined. There was an increase in expenditures for environmental protection and for recovery of renewable natural resources (timber and water resources, including fish stocks of inland bodies of water, whose reproduction has become particularly urgent). That is why in the sixties and seventies the need arose repeatedly to raise wholesale prices on products of a number of branches of industry. New wholesale prices whose level is higher than those previously in effect were introduced as of 1 January 1982.

Up to now the rise of purchase prices and wholesale prices has occurred mainly without changing retail prices. By redistributing income (profit and the turnover tax) the state has guaranteed the independence of the retail price system from the changing level of costs in agriculture and industry. But here again it has to be emphasized that only thanks to the rise in labor productivity and higher production efficiency in all sectors of the economy are the resources obtained which can be committed to raising the material and cultural prosperity of the people.

Aside from solving the complicated socioeconomic problems of the development of agriculture, in recent years problems related to increasing the remuneration of low- and middle-income categories of workers, providing them old-age and disability pensions, increased housing construction and development of the nonproduction sphere have become much more acute. This also necessitated multibillion annual outlays.

We will take the year 1950 as an example and examine the conditions under which prices were reduced in that year. At that time the wages of workers and employees were comparatively low--63.9 rubles per month, and kolkhoz members were not receiving money remuneration for their labor on the socialized farm. Money payments and benefits paid from social consumption funds, the state's outlays for housing construction, and so on were also negligible. Practically all the additional resources obtained as a result of the higher productivity of social labor and increased output of consumer goods in 1950 were used to lower retail prices.

But there was a need for a sharp rise in the standard of living of the rural population. The level of pensions had to be raised substantially and pensionable age lowered. The development of housing construction, public education, culture and health care had to be undertaken with equal urgency. Other urgent problems were also demanding solution.

As a result of the measures taken to solve these problems average wages of workers and employees rose to 177.3 rubles, and, when payments and benefits from social consumption funds are included, to 246 rubles per month in 1982. The monthly income of kolkhoz members from the socialized farm rose to 114 rubles. Payments and benefits from social consumption funds increased, as did expenditures to pay pensions. In 1981 the state spent 15.1 billion rubles on housing construction, 11.5-fold more than in 1950.

It is evident from these figures what purposes the additional resources were used for which society was obtaining as a result of higher labor productivity. There can be not the slightest doubt about the advisability of those outlays. But the question can also be put differently. Couldn't a portion of the additional resources have been assigned at the same time to lowering prices? Objectively the answer to that question cannot but be negative. It is not only a question of the great magnitude of all the socioeconomic problems enumerated above, which inevitably would have been solved more slowly if there had been a cutback in their financing. It was a question of the specific nature of each direction for raising the standard of living of the people.

For instance, increasing the remuneration of labor has a strictly defined objective. The wages of low- and middle-income categories of workers, those working under difficult natural and climatic conditions, were raised first. Wages were also increased for those workers who had raised the productivity of their labor to a greater degree. In the years of the 10th Five-Year Plan remuneration of the labor of various categories of workers were increased in ferrous and nonferrous metallurgy, the coal, shale and textile industries, agriculture, and rail transportation.

One of the tasks that was set in the 11th Five-Year Plan was to gradually raise minimum wage levels. Regional regulation of wages was improved by introducing, for example, supplements for length of uninterrupted work in the regions of the Far East and East Siberia. Remuneration of work at night was increased. The wages of the highly paid categories of workers, as in all the previous years, remained practically unchanged. Yet when prices were lowered, those who had more money income had most to gain.

The situation was much the same with housing construction. The person who had already received an apartment from the state, and every apartment cost the state at least 9,000 rubles on the average, would also gain from the lower prices as well. Those who still did not have a separate apartment would have to wait a considerably longer period of time, that is, they would turn out to be the losers. There was no way that could be called fair.

Prices under socialism are something which society influences according to plan. That is why the state can centrally conduct a policy in the pricing area, making the price system serve in solving socioeconomic problems arising in various periods. Organization of the pricing process must guarantee that new prices are set and introduced in good time, that the process of price calculation is relatively simple, that price lists are convenient and easy to use, and so on.



The particular forms of planned pricing of consumer goods are these: the drafting of price proposals, reconciliation of those proposals with state standards and technical specifications, the examination and setting of prices, observance of state price discipline, and so on--must in their organization correspond fully to those requirements which the price system is expected to meet.

### The Planned Setting of Retail Prices

**Pricing Authorities.** The procedure in effect for the setting and planning of retail prices is based on the principle of democratic centralism. This makes it possible to combine centralization in solving the principal issues of economic policy concerning pricing with the broad rights of the republics, krais, oblasts, ministries, departments and economic organizations in setting retail prices. This situation is achieved through strict delimitation of the list of products on which prices are set at the center and locally.

The general lines of retail price policy, the methodological and methods foundations of pricing, and price levels and relations for the most important commodities are determined on a centralized basis by the CPSU Central Committee and USSR Council of Ministers. The USSR Council of Ministers guarantees that a uniform state price policy is conducted in all parts of the economy and sets prices and rate schedules on consumer goods and services for the public (bread, meat, sugar, footwear, fabrics, electric power, gas, and so on), as well as strategies for improving the system of prices and rate schedules, and it handles the question of changing the overall price level.

The actual work of planned pricing is assigned to the system of pricing authorities headed by the USSR State Committee for Prices [Goskomsen], which along with the duties of improving pricing methodology and methods sets permanent and temporary retail prices on the most important consumer goods. USSR Goskomsen guarantees conformity to plan in pricing practice, the necessary stability of prices and rate schedules, and their timely review as changes occur in the conditions for production and sale of various products and services, and it eliminates unjustified differences in prices of the same articles, strengthens state price discipline and directs government and public monitoring of adherence to the prices which have been set.

Councils of ministers of union republics or state price committees of the union republics on commission from them set retail prices for a broad list of foodstuffs and industrial goods as well as all commodities which come under the head of ethnic goods.

Councils of ministers of ASSR's and kray, oblast and city (cities under republic jurisdiction) ispolkoms of soviets of people's deputies do considerable work related to pricing.

It should be emphasized that the lists of consumer goods on which retail prices are set by local authorities and the assortment of goods manufactured by enterprises under local jurisdiction differ considerably from one another and cannot be equated.



The point is that enterprises under local jurisdiction produce in sizable quantities those consumer goods which have primary importance to supplying the population (bread and baked goods, milk and dairy products, confectionery products, meat and sausage products, footwear, knitwear, clothing, and so on). That is why the retail prices of such goods are set centrally.

Local authorities set retail prices on consumer goods aimed at traditional local demand and not common everywhere or on goods which do not have paramount importance.

The planning of retail prices of consumer goods and of rate schedules for services by local authorities is based on a uniform methodology. The unity of the price system is ensured thereby. But the unity of the system of prices and rate schedules does not mean that they must be identical everywhere. Prices and rate schedules are set so as to take into account objective data on standard costs and profitability, figures on personal income, the needs of enterprises and the public for certain products and services, prospects for the development of production, etc.

One of the main methodological principles is the provision that prices and rate schedules, regardless of where they are set, must reflect real economic relationships that exist in the economy and must be oriented toward the socially necessary expenditures of labor occurring throughout the entire national economy.

The work of setting retail prices of consumer goods and rate schedules for certain types of services is also done by USSR ministries, departments and organizations. For instance, the Ministry of Instrumentmaking, Automation Equipment and Control Systems [Minpribor] sets retail prices on pieces of jewelry made by its enterprises. The USSR Ministry of Health [Minzdrav], in agreement with the Ministry of Medical Industry, sets retail prices of medicine, vitamins, glass medical articles and other pharmaceuticals, including those which are imported, their retail prices being set relative to the retail prices of analogous or interchangeable goods.

The USSR Ministry of Communications [Minsvyaz] sets retail prices on philatelic articles sold within the country. The retail prices of books, sheet music, art prints and other published products, including those imported, are set by the USSR State Committee for Publishing Houses, Printing Plants and the Book Trade [Goskomizdat] in agreement with the USSR State Committee for Prices. USSR Goskomizdat also issues catalogues and price lists for the purchase and sale of secondhand and rare books so as to take into account their scientific and artistic value, the quality of the binding, their condition and rarity.

The USSR Ministry of Culture sets prices on tickets to theaters, concerts and museums which come directly under its supervision as well as for circus performances. The same ministry sets retail prices on phonograph records regardless of the departmental subordination of the manufacturing enterprises. The prices of movie tickets are set by the USSR State Committee for Cinematography and the USSR Ministry of Finance. The prices of tickets to attend all-union and international athletic competitions are set by the Committee of the USSR Council of Ministers for Physical Education and Athletics.

The AUCCTU is authorized to set prices on vouchers for sanatoriums, rest homes, boarding homes, camping facilities and other institutions for medical treatment and recuperation which come under the trade unions. The AUCCTU also sets prices on vouchers for treatment in polyclinics and for eating in dietetic dining rooms at health resorts (the prices of "courses of treatment"), and also rate schedules for services in providing tours and excursions to the public which trade union institutions render.

**Determination of the Price Level.** In considering the question of how the level of the retail price of a particular commodity is determined, we should bear in mind the fact that the question arises only for the prices of new commodities. As already noted, the prices of the principal foodstuffs and non-food commodities have remained stable for at least the last two decades.

The setting of prices on new commodities is one of the ways of carrying out Soviet price policy, which is conducted in the interests of development of production, the steady rise in the standard of living of the people, and expansion of the assortment and improvement of the quality of goods.

The pricing of new commodities guarantees performance of the following principal tasks: stability of the state retail prices that have taken shape in the country; stimulation of the production and consumption of new and better-quality goods; preservation of the existing price relations for groups of commodities and assurance of economically sound price relations within the limits of each group of commodities so as to take into account their significance to social welfare.

The stability of retail prices envisages that the level of the price of a new commodity will correspond to the price level that exists for the given commodity group. This is the first and most important principle in setting prices of new commodities.

When new consumer goods are produced, the justifiability of manufacturing the new product with various modifications of its features and at a varying level of quality is taken into account. The extent to which a product is updated cannot be the same for various groups of commodities, and for that reason it would hardly be legitimate to expect the retail price to promote the updating of the assortment of all products without exception. There do exist products which do not need to be updated or need it to a limited extent, and it is indispensable to maintain a stable assortment and quality of products produced. Many foodstuffs can be classified among such goods. Here again it is important that it be possible to satisfy the stable part of requirements in the most sensible way.

The level of prices of new commodities must reimburse the costs of their production and guarantee a higher profit than for the product put into production previously. But since consumers are interested in having products manufactured in a varied assortment, the level of profitability cannot be highly differentiated in the prices of new products.

The setting of prices of new commodities is closely bound up with solving such problems as ensuring the general accessibility of volume goods and inexpensive commodities regardless of level of income, taking into account the social impact, shaping and educating the needs of the members of society, and incentives and limitations which apply to a number of goods. In order to encourage the production and consumption of goods which have especially great importance to the workers, retail prices are set at a relatively lower level, and the profitability of their production is furnished by reducing the share of profit and the turnover tax.

When the prices are being set on new commodities, consideration is given to the need to guarantee the proportions of supply and demand for particular commodity groups. In this connection an analysis is made of all the possible information on the anticipated demand of the public (possible groups of purchases, the volume of sales at the planned level of retail prices, the volume of production and prospects for changing it, and so on). Prices are set so as to take into account the need to guarantee normal conditions for the production and sale of new commodities. To a certain extent the relationship between supply and demand is taken into account when prices are set on goods representing an improvement of quality or improved assortment.

In pricing practice goods are considered to be new if they are being shipped for sale to the public for the first time and if they possess new performance characteristics (for example, color television sets, microprocessors, quartz timepieces, and so on).

In the setting of retail prices on such goods figures are usually used on the economically sound planned costs of their production. The established rate of profitability is added to the costs, and in certain cases the turnover tax as well, and the proportion of the average trade discount is also added, reimbursing the costs of trade and forming its profit. The sum of these quantities gives the planned or proposed retail price.

The bulk of new products are various modifications of products already being sold to the public. The retail prices of such commodities are set in accordance with the prices in effect for analogous produces. That is why correct choice of the analogue has taken on paramount importance.

Products produced on a large scale and on a series basis are taken as analogues. The retail prices of the analogous products must reflect with the greatest accuracy the price level of the respective groups of commodities.

The practice of setting temporary higher wholesale and retail prices on new consumer goods representing improved quality has become ever more widespread in order to enhance the economic motivation of enterprises and associations to rapidly organize the production of new goods and to renew and expand their assortment.

These goods are those which meet the requirements of technical documentation (GOST and TU [state standards and technical specifications]) and which surpass in quality those manufactured previously. They must not only be distinguished

by higher quality and other performance characteristics, but they should also have improved finishing, style, they should be in fashion, and there should be a high level of public demand for them.

Temporary retail prices are set on fabrics, clothing, footwear, carpets, furs and clothing accessories, durable consumer goods and housewares, tobacco products, perfumery, cosmetics and other nonfood commodities, boxed chocolates and wines and liquors.

Temporary retail prices are set by adding supplements to the permanent retail prices. These supplements are intended for reimbursement of the additional costs incurred in organizing and expanding the production of new commodities and for awarding bonuses to the personnel of enterprises, fashion houses, scientific research and project planning and design organizations which have participated directly in creating the new goods or in organizing their production and manufacture. The supplements to the permanent prices must ensure profitability of producing the goods at the average level for the enterprise or the given group of products. The total proportion of the supplements is determined so as to take into account the extent to which the quality of the particular commodity has been raised. Temporary retail prices of new commodities representing improved quality are set for a period not to exceed 3 years by the same pricing authorities which set the permanent prices for those commodities. The permanent prices are set at the same time as the temporary prices.

The prices of imported goods are set relative to the retail prices in effect on analogous goods produced in the country so as to take into account the quality of the goods, finishing, originality and the existing effective demand. They are usually set on specific lots of goods, unless purchases are systematic and regular.

**Drafting of Price Proposals and Price Approval.** There are several stages in the planned setting of prices. In the first stage price proposals are drafted and the necessary materials are compiled to substantiate them. In the second the price proposals are examined and revised by administrative agencies at the higher level. The third stage consists of submitting the revised price proposals with all the materials to substantiate them to state pricing authorities. In the fourth stage the prices are approved and made known to all interested enterprises, associations, organizations and institutions.

In accordance with the accepted procedure for setting prices, the price proposals and materials to substantiate them are drafted as a rule by those enterprises, associations (combines) and various economic organizations on whose products the prices are to be set.

It is a mandatory condition for the approval of proposed prices and rate schedules that the relevant normative and technical documentation be available for the given product or service (GOST, OST [sectorwide standard], TU, and so on). That is why such documentation is prepared and compiled at the same time when the proposals are prepared of prices and rate schedules.



Price proposals are economically substantiated above all by data on the cost of producing the product on which prices are being set. In most cases current costs (production costs) comprise as much as 80 percent of the price. Pricing authorities therefore attribute paramount importance to correct determination of the production cost. Planned standard production cost is always used in substantiating prices; it fully reflects measures related to the mechanization and automation of production, scientific management, improvement of technology, and so on.

A comprehensive technical-and-economic comparison is made in order to avoid the setting of high prices on a new product analogous to the one already being manufactured. And a rise of prices is allowed only insofar as the new product represents an improvement of performance characteristics and quality.

Planned pricing authorities, once they have received the price proposals with all the material, check and analyze them thoroughly. They first of all check the correctness of the choice of the analogue used for determining the prices of the new commodities. Attention is paid to the soundness of the price in effect of the product chosen as the analogue. The reason is that the analogue's price may no longer correspond to the existing conditions of the product's production and sale. Use of such a price would then be mistaken. A check is made on the degree of newness of the product on which the proposed price would be set.

Particular attention is paid in the examination of price and rate schedule proposals to checking the authenticity of data on labor and physical input related to the new products and new types of services.

An analysis of the official calculations of production cost submitted reveals above all whether the figures are in line with the standard figures on consumption of raw materials, basic and auxiliary materials, energy, etc. A check is made on whether use of the particular raw materials and supplies is legitimate. Certain industrial enterprises and consumer service enterprises attempt to use relatively expensive materials in order to boost up the volume indicators of their performance. Such attempts to hike up prices on the basis of expensive raw materials and supplies must be stopped.

Figures on overhead are checked thoroughly. The correctness of their assignment to particular products and services is taken into account here. The error encountered most frequently here is that enterprises set the same percentage of overhead for the principal product and a product manufactured by shops or sections for production of consumer goods. But in the overwhelming majority of cases the actual distribution of overhead for the principal product differs considerably from that of the consumer goods.

Pricing authorities also check to see that the overhead included in the production cost of consumer services (for it represents a sizable proportion) are not transferred from services performed on commission for enterprises, organizations and associations to the production cost of services rendered in connection with custom orders to individuals.

In analyzing the existing profitability and its proposed levels pricing authorities pay attention to the possibility of increasing profitability by reducing costs and improving the quality of products and services. This must not result in exceeding the established limit on profitability, i.e., the potential discovered must be committed not only to raising the profitability, but also to reducing the proposed level of prices and rate schedules.

Particular attention is paid in the analysis to the correspondence of prices and rate schedules for consumer services with the retail prices in effect for consumer goods. This applies above all to the prices of clothing, knitwear and other products manufactured by consumer service enterprises on custom order for individuals. In light of the fact that filling custom orders is more time-consuming, other things being equal, than large-scale industrial production of the same goods, the prices of products which consumer service enterprises manufacture on order for individuals must not be lower than retail prices.

The level of retail prices also has to be taken into account in planning prices for the services of repairing clothing, footwear, furniture, metal articles, household appliances, timepieces, radio and television equipment and other articles. The prices of repair services should be set at a level at which it would be advantageous to the individual to have things repaired which are not yet obsolete rather than to purchase new ones. But on the other hand these prices must as a rule provide for reimbursement of the cost of repair and the profitability necessary for the normal economic activity of the consumer service enterprise.

It is a most important task of pricing authorities to prevent the occurrence and correct unjustified differences in prices and rate schedules established in ASSR's, krays, oblasts and also in cities under republic jurisdiction.

After examination and revision the price proposals are presented for approval to the respective competent authorities: the USSR State Committee for Prices, republic committees for prices, price departments of the councils of ministers of ASSR's, and to executive committees of krays, oblasts and cities under republic jurisdiction.

So, state planned pricing authorities carry on a very large amount of work aimed at preventing violations of uniform price policy and infringement of the interests of the workers in favor of the interests of individual enterprises and associations.

The question of the allegedly overcomplicated and overlengthy procedure for setting retail prices is raised rather frequently in periodicals. Sometimes they even write to the effect that the process of price examination and approval takes 1.5 years, 1 year or more. As a result a new product manages to become obsolete and to go out of fashion in that time. One gets the impression of some kind of bureaucratic procedure that is standing in the way of speedy organization of the production of fashionable and quality products.

But a detailed familiarity with the state of affairs shows that the rules in effect provide for the following: price proposals have to be submitted to pricing authorities even before production of the new product begins. If enterprises and associations submit the proposals themselves, they must submit them no later than 1 month before production of the product begins. If they are submitting the proposals through their superior authorities (ministries, departments), then they must do this 3 months in advance of commencement of the new product's production. The USSR State Committee for Prices and republican state committees for prices examine price proposals and approve them within a 20-day period after they receive them, and local bodies of government within a 15-day period.

Delays in the approval of prices occur when price proposals have been drawn up with breaches of the established rules. We are not referring to the formal aspect, but to the essence. This concerns product quality above all. A new product cannot be allowed to be produced with departures from state standards or technical specifications. Such deviations cause consequences most unpleasant for consumers, especially in the case of foodstuffs. Yet individual manufacturing enterprises sometimes attempt to arrange for the manufacture of products which do not meet standards under the guise of a new product.

Proposals are also submitted in which the price level has been hiked up. Such a price would be advantageous to the producers. But state pricing authorities, which stand on guard to protect the economic interests of the workers, do not let proposals of this kind pass.

These are the reasons why more or less lengthy delays occur in the establishment of retail prices.

**Monitoring Price Enforcement.** Decisions of the party and government have repeatedly pointed out the need for strict enforcement of state price discipline and the most determined interdiction of any breaches of it. Strict enforcement of planned prices is an inseparable part of state planning discipline. State pricing authorities are called upon to monitor the correctness of application of all types of prices and rate schedules. This task is performed by means of the organization of state, departmental and public monitoring.

State monitoring of prices is performed by the pricing authorities themselves. Departmental monitoring is done by the competent subdivisions of ministries and departments. Public monitoring is organized through public commissions created by executive committees of city and rayon soviets of people's deputies and also by the trade unions.

State, departmental and public monitoring of enforcement of price discipline takes the form of regular checks: comprehensive, large-scale, special-topic and spot. If during the checks particular breaches are detected, then the entire amount of additional proceeds obtained as a result of applying the excessive prices is subject to confiscation into the budget. But this does not relieve of personal responsibility the officials to blame for the breach of price discipline. They may be subject to administrative and even criminal punishment.

## Basic Directions for Improvement of the Retail Price System

The planned setting of prices is a controlled process. And this means that any change in price levels and relations is carried out in order to achieve some sort of definite objective. The solving of many socioeconomic problems of advanced socialist society is bound up to a greater or lesser degree with use of the retail price system. In every stage of the building of communism in our country, then, demands are made on the retail price system which correspond to the specific socioeconomic conditions of society's development. The demands are based on a knowledge of the operation of the economic laws of socialism, above all of the basic economic law. They are objective in nature. The principal way of improving the retail price system is to fulfill these demands more fully.

What sort of demands are we talking about? If we are to state them in general form, then we might indicate the following. First, the retail prices of consumer goods as a whole must ensure reimbursement of all the costs of the production, distribution and sale of those goods.

Second, retail prices have to be used vigorously to optimize the pattern and volume of needs. Third, they help to promote implementation of the socialist principle of distribution according to work. Fourth, in the necessary cases retail prices must promote the creation and maintenance of balance between effective demand and the supply of consumer goods and paid services.

We have mentioned here only the main demands, but it is on them that the price policy of the Soviet state depends. The scientific and organizational principles of the planned setting of retail prices follow from those requirements.

So, stability of the price system as the foundation of the economy's stability can be achieved only provided retail prices as a whole correspond to the level of the socially necessary expenditures of labor. The requirement that retail prices be used to control demand, to shape the optimum pattern of needs, makes it indispensable for pricing to be governed by the principle that retail price levels and relations take into account the level of satisfaction of society's needs and the relationship between effective demand and its commodity counterpart.

The principle of reflecting in retail prices the quality and performance characteristics of consumer goods and establishment of differentiation of retail prices in conformity with the differentiation of performance characteristics and quality of goods are in line with this requirement. The social welfare factor should also be taken into account in retail prices. Retail price levels must be coordinated as a function of income. In addition, retail price levels of consumer goods must be adjusted to the degree of satisfaction of needs through social consumption funds (the gratis and preferential distribution of material benefits).

Let us examine in more detail the basic demands made on the system of retail prices.



**Reimbursement of Costs.** With respect to guaranteeing reimbursement of the costs of production, distribution and sale of the entire volume of consumer goods and services to the public the reference is explicitly to the entire volume of sales, not to individual commodities and services. Every commodity must be sold in accordance with the objective which has been set either at a loss or at a profit. But all commodities and all services cannot be sold at a loss. This follows from the fact that the losses incurred in the production and sale of certain consumer goods and services can be covered only by the income obtained in the production and sale of other consumer goods or paid services. The income formed in the production of means of production (in the extraction of petroleum and gas, production of electric power, machine tools, equipment, in capital construction, in the carrying of freight, and so on) can be used only within a limited proportion to reimburse losses in the production of consumer goods.

This situation is difficult to understand. Sometimes even economists lose sight of this. And the difficulty lies in the fact that all the proportions and connections in the national economy are at the same time both value relations and also physical relations. More precisely, all the proportions and connections, which are physical by their nature, figure in the form of value, money, proportions and connections. It is indeed the money form which creates the appearance that financial resources can be easily and simply "transferred" from one sector to another, that the losses in one sphere can be offset by the income obtained in another.

Of course, there is nothing simpler than to transfer money from one account in the bank to another account. But the necessary result cannot always be achieved that way. The point is that losses in the production of consumer goods mostly represent expenditures to pay wages in the various stages of production of consumer goods. Wages are spent to buy goods and to obtain paid services. And the result is that these losses can be offset only by income (profit) which in physical terms stands for consumer goods and services. And if we imagine that some machine tool building enterprise is producing souvenirs at a loss in its consumer goods shop, then the loss on them is only formally covered by the profit earned in the production of the principal product (machine tools). After all, that profit stands for machine tools, which do not figure in retail trade. This kind of formal reimbursement of loss not only fails to correct the imbalance, it even compounds it. Those who have the money cannot buy a machine tool and do not want to, while those who need the latter cannot buy it because they do not have the funds.

The problem of reimbursement through retail prices of all the costs of production, distribution and sale of consumer goods and services rendered to the public has taken on great urgency and practical significance in recent years. Production costs of many consumer goods have been rising under the impact of a number of objective factors. Costs have been rising in the service sphere. This especially applies to services whose performance involves sizable expenditures of live labor, when it is not possible to essentially mechanize or automate them (custom tailoring and clothing repair, custom shoemaking and shoe repair, hairdressers, and so on).

Assuming stable retail prices of consumer goods and rate schedules for paid services, this ultimately results in a sharp restriction on the opportunity for redistribution of net income to reimburse losses occurring in the production of particular commodities and services, since the very size of net income is reduced.

But the conduct of a policy of retail price stability does not preclude the possibility of price changes for certain commodities. The policy of price stability cannot be equated with an absolute freeze of all prices without exception. The latter might become reality if for decades the conditions of the production and sale of all goods remained unchanged.

Essential changes have taken place in the domain of production. Equally profound shifts have also taken place in the domain of the sale of consumer goods. The growth of money income while the general retail price level has remained unchanged has had the result that goods with better performance characteristics and quality characteristics are comprising an ever larger proportion of effective demand. Fundamental changes have been taking place in consumer assessments of individual commodity groups and specific commodities.

As personal money income increases, indicators of performance characteristics reflecting the correspondence of the products to the requirements of fashion and style, indicators of external finishing, originality, and so on, are taking on ever greater importance. The relative share of new goods possessing performance characteristics which cannot be compared has been growing very rapidly. Only a relative judgment can be made about the quality of such products in comparison with others. Indeed even the very term "high-quality commodity" has been undergoing a transformation. There is hardly any need to prove the fact that at present conceptions of the quality, for example, of clothing and footwear are not by any means defined in all cases by wearability, nor is that of foodstuff defined by the number of calories.

If stability of the general price level is to be maintained, certain value and physical proportions have to be adhered to in the economy. This is one of the most complicated problems in managing an economy with a plan. This problem consists of the following.

Wages have to be raised in a certain proportion to the rise of labor productivity for the purpose of material motivation of higher labor productivity and to generate a personal interest in every worker to increase the productivity of his labor. This results not only in a higher average wage, but also in a larger total amount of wages, and consequently a larger total amount of personal money income. Commodity coverage of the growth of money income requires a corresponding increase in the production of consumer goods and paid services. Without this equality a disproportion between effective demand and the supply will be inevitable. That is why the relationship between the rise of labor productivity and the rise of wages must be defined not in terms of some sort of conventional coefficients, but in terms of specific planned proportions between the rise of labor productivity in all spheres and sectors of the national income and the increase in the production of consumer goods and paid services.

The stability of the general retail price level can be ensured even when there are certain changes in retail prices. This stability is combined with price mobility and flexibility. At the same time a stable system of retail prices eliminates the possibility of occurrence of abrupt, unforeseen and unplanned changes in retail prices.

Prices of new goods representing high quality and improved assortments, which are more subject to the influence of the relation between supply and demand, possess the greatest mobility in the retail price system. The mobility of these prices makes it possible not only to link the movement of prices more closely to costs, but also to manage demand more effectively, thereby ensuring normal conditions for the sale of goods.

Optimization of the Pattern of Needs. Active use of retail prices to regulate the demand for particular goods is not aimed exclusively at achieving balance between supply and demand. It is brought about to a greater extent by the need to optimize the pattern and volume of personal needs manifested through effective demand.

Society's participation in the shaping of personal needs creates authentic conditions for development of freedom of the personality. The dialectics of the interrelationship between society's active participation and the shaping of personal needs and of the free personality in the shaping and satisfaction of needs is such that to renounce the former would also signify a severe restriction on the latter.

One needs only to analyze the shaping of the pattern of needs and their satisfaction in capitalist society to become convinced of this; there the individual would seem to have altogether unlimited opportunities to display and exercise his "freedom." In actuality, though, the individual is not only limited in satisfaction of his needs by his income and the prices of goods, but he is constantly under the hypnotic influence of advertising organized by the capitalists to expand the sale of goods which often do not serve men's needs. The fictitious "freedom" of the individual under the conditions of commodity production result in a deformed pattern of needs and the existence of needs which have been created artificially.

Such a situation only detracts from the dignity of the reasonable man, compels him to render service to things, and enslaves him with the net of commodity relations.

Even from the economic standpoint the so-called "freedom" of the consumer in capitalist society results in huge losses of social labor expended to create goods which satisfy needs created artificially by the monopolists.

A man finds himself in altogether different conditions in a socialist society. Here he is an organic part of society. Society personified by the state is not a hostile force opposing man, but is inseparably united and organically merged with him. That is how development of the individual personality, its self-affirmation, becomes the objective of society, as it is of man himself.

The urgency of the problem of shaping the optimum pattern of needs proper to the harmoniously developed personality is constantly growing as social production develops and as the material and cultural standard of living of the people rises. The dialectics here lie in the fact that the greater the capabilities which society possesses to satisfy the needs of every member of society, the more acute is the problem of optimizing the use of those capabilities. "It would be incorrect to imagine communism as a society in which all goods, all the 'gifts of nature' will, as it is said, be showered down in abundance on people, and all difficulties and problems will vanish.

"On the contrary, the further we go, the greater will be the need to mobilize all the resources of society and abilities of every man individually for full-fledged life and development under the conditions of increasingly complicated global problems.... Communism will be able to establish itself on earth only as a reasonably organized society in which every man will work according to his abilities and receive benefits according to his needs, but those needs themselves must also be reasonably organized.... Then there will be fewer disproportions between expectations and demands of individual people adjusted to standards of consumption and the reality of socialist society--disproportions which our opponents are taking advantage of in the struggle against real communism."

In the context of a planned economy it is important to society not only to create certain use values which satisfy certain needs, but also to take into account the social expenditures of labor in the production of particular products. Society can and must regulate the volume and pattern of consumption in conformity with costs and production capacity. Consequently, a need's significance to social welfare as a criterion for classifying it reflects not only the importance of the need, but also the possibilities of satisfying it in the given stage. Needs can be divided into two groups according to this criterion.

The first group includes needs which have particular importance to social welfare. They include needs which are the most important conditions for existence and functioning of both the entire society as a whole and also of its individual members. The basic principle in satisfying the first group of needs is creation of equal accessibility of their satisfaction for various social strata regardless of their level of income. Social consumption funds are the form through which most of the needs in this group are satisfied. For instance, it is through social consumption funds that the need is satisfied for education, medical care, the cost of children in children's establishments, and so on. Society deliberately establishes depressed retail prices for a number of commodities which satisfy needs which have a particular significance to social welfare in order to bring closer together the levels of consumption of different population groups. Such commodities include, to be specific, goods for children, health and hygiene products, medicine, and certain foods. It is with respect to this group of needs that the retail price manifests itself to the greatest extent as an instrument of the state's social welfare policy.

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4 Fedoseyev, P., "The Unity and Interaction of the Natural and Social Sciences," *KOMMUNIST*, No 7, 1982, p 38.



The second group of needs is more extensive. Needs of this group are mainly satisfied through trade, in which they are modified into effective demand. It is the second group of needs which has the most substantial role in the process of reproduction of manpower. They are satisfied with a variety of goods. The needs can in turn be divided into rational, neutral and inadvisable.

The criterion governing this division is this objective: harmonious development of the personality. The latter presupposes man's state of health, his range of interests, a nonmaterial and intellectual richness of his inner world, civilized behavior, external appearance, available free time, and so on. Material and nonmaterial needs whose satisfaction guarantees man the existence of all these characteristics must be included among rational needs on this basis. Consequently, we include here the need for food, housing and clothing to meet present-day scientifically sound standards of consumption and esthetic requirements. The same group must also include nonmaterial needs whose satisfaction raises man's intellectual level and social needs that guarantee him satisfaction both of all other needs and also of needs for free time.

The group of neutral needs might include needs creating conditions for harmonious development of the personality, but whose satisfaction occurs in accordance with higher requirements of health and esthetics than are normal for the given state of the economy. This would include, for example, foods which have now become traditional, clothing, housing, goods of improved quality which are in high demand, articles satisfying nonmaterial and certain social welfare needs, and a number of other use values which at the present time are not sufficiently available because of the limited capability for producing them.

And finally, in accordance with the criteria proposed above, the group of inadvisable needs would include needs whose satisfaction causes harm to man's health, restricts his intellectual improvement, has a baneful influence on formation of his inner world, detracts from his morality, and limits his free time.

We might include among such needs the need for alcoholic beverages, smoking, the need to consume prestige products, and so on. The economic laws are manifested through people's actions. Even when the objective basis for the existence of a particular economic law vanishes, then, though the habit and tradition remain in society, this economic law continues to "operate." History affords a multitude of examples of such "operation" of economic laws. Yu. V. Andropov has noted: "Even when socialist production relations have been definitively established, individualistic habits are retained and even reproduced in some people...."<sup>5</sup>

Experience in building and developing a socialist society in the USSR and in other countries shows that as yet it is not enough to remove the economic basis of the previous society, to destroy it and build the new one to preclude various types of negative phenomena similar to what was previously everyday life, but fundamentally unacceptable for socialism. This will require in

<sup>5</sup> Andropov, Yu., "Karl Marx's Doctrine and Certain Issues in the Construction of Socialism in the USSR," *KOMMUNIST*, No 3, 1983, p 12.

addition that those traditions and habits which have been cultivated for centuries be destroyed, broken and discredited. V. I. Lenin pointed out: "In its first phase, at its first level, communism cannot yet be altogether mature in economic terms, altogether free of the traditions or traces of capitalism."<sup>6</sup>

We will analyze the influence of prestige consumption, the general upshot of which is, first, expenditure of live and embodied labor to satisfy those needs, and second, adverse influence on man's inner world. For instance, the group of inexhaustible needs cannot include the need for use of precious metals in medicine and technology, or the use of natural furs under particular climatic conditions. Nor can it include the need for a private car if its owner does not possess other means of transportation. Nor probably would a man's personal library go in this group if he uses it.

We should also note that among the needs in a socialist society there do objectively exist needs which bear in different ways not only on the strategic objective of the entire society but also on the means and methods of achieving the objective.

The degree of optimality of needs possibly should be determined in this connection not only with respect to the objective of society's development, but also with respect to the means and methods of achieving the objective--optimum use of labor, physical and natural resources. This in any case gives rise to the need to understand nature and the peculiarities of various needs and forms of their satisfaction in order to consciously manage their development.

The groups of needs we have enumerated figure in differing ways as targets of the purposive influence of the state. For instance, the first subgroup of needs is a target of planned development of the needs included in it, while the third is the target of planned restriction of the adverse phenomena engendered by their satisfaction. And the second subgroup of needs, depending on the situation as it takes shape, may be either promoted or restricted by the state.

With the help of the retail price system the socialist state can exert an influence on formation of needs backed up by effective demand, augmenting them in some cases and diminishing them in others. The stimulative function of prices is manifested here. Of course, the strength of the impact of retail prices on the process of formation of the needs of society, the orientation of that impact and the methods of its performance must be different for the rational, neutral and inadvisable needs of society.

In a socialist society the social position of every member of society is determined exclusively by his personal labor contribution in accordance with his abilities. Article 14 of the Constitution (Basic Law) of the Union of Soviet Socialist Republics states: "Socially useful work and its results determine a man's position in society." Consequently, neither the size of personal property, nor its physical composition can have any influence on the social position of a man and his family. This is a law of life in socialist society.

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6 Lenin, V. I., "Poln. sobr. soch." [Complete Works], Vol 33, p 98.

Yu. V. Andropov has noted: "It is labor, conscious, conscientious, and full of initiative, labor for the good of society that we recognize as the highest standard of dignity and social prestige of the individual."<sup>7</sup>

But when the material prosperity of all members of socialist society is rising rapidly, the rise of the ideological-and-moral and cultural level should not occur uniformly in all members of society for a number of reasons which are basically subjective in nature. Certain workers, influenced by remnants of the past, apply their high money income in part to acquire goods not for the sake of their utilitarian use, but solely to display their high level of material prosperity. That is why one can only join fully in the opinion that "... it seems altogether unacceptable to copy the pattern of development of needs typical of capitalist society, to borrow bourgeois standards of consumption, which deforms the moral character of individual people who lead an unsocialist way of life though they live in a socialist society."<sup>8</sup>

The higher level of material prosperity can hardly be the sole explanation for the fact that between 1965 and 1980 sales of jewelry rose from 107 million to 4,637 million rubles, or 43.3-fold. Whereas in 1965 jewelry sales totaled less than either thread or matches and were exceeded 1.7-fold by kerosene, in 1980 their sales equaled or even exceeded those of such indisputably more important goods as fish and fish products, butter, eggs, flour, hulled and rolled products and macaroni products, vegetables and many other things.

In the case of conspicuous consumption it is primarily the person who acquires the goods for such a purpose who suffers the moral harm. It is for that reason that a socialist society cannot take a passive attitude toward elements of conspicuous consumption which with good reason it regards as inadvisable. It was pointed out at the 26th CPSU Congress: "We possess great material and nonmaterial capabilities for ever fuller development of the personality, and we will augment them in the future. But it is important at the same time that every person be able to use them sensibly. And this ultimately depends on the kind of interests and needs of the personality. That is why our party sees active and purposive formation of needs as one of the important tasks of social welfare policy."<sup>9</sup>

There is no doubt that retail prices must also be used in performing this task. But the method used in setting prices of goods which meet only inadvisable needs cannot be used in setting prices of goods which represent conspicuous consumption. The reason is that setting relatively higher retail prices on goods which represent conspicuous consumption, say, would have a number of adverse consequences. First, this might cause harm to development of rational needs which have high importance to social welfare. Second, even if the previous size of effective demands were preserved, there would be an increased probability of the occurrence of stratification of the population

7 Andropov, Yu., "Karl Marx's Doctrine ...," p 14.

8 Kosolapov, R., "The Contribution of the 24th, 25th and 26th CPSU Congresses To Work on the Theoretical and Political Problems of Advanced Socialism and the Transition to Communism," KOMMUNIST, No 5, 1982, p 66.

9 "Materialy XXVI s"yezda KPSS" [Materials of the 26th CPSU Congress], p 63.

with respect to the range of goods which can be acquired, a stratification which previously was overcome. Third, there would be a sharp increase in the danger that goods satisfying other needs aside from those of conspicuous consumption would cease to be used altogether for their actual utilitarian purpose, that is, they would pass entirely into the category of prestige goods. In the final analysis all of this would not only fail to diminish the needs for conspicuous consumption, but on the contrary it would be a kind of incentive for their growth.

Thus pricing faces a complicated task: on the one hand conspicuous consumption needs to be restricted by means of retail prices, while on the other a restriction on satisfaction of rational needs must not be allowed. Successful performance of this contradictory task is possible only if the specific nature of conspicuous consumption is taken into account.

One of the peculiarities of conspicuous consumption lies in the fact that in the overwhelming majority of cases it is not the use value of the thing and its principal performance characteristics (for example, its artistic, cognitive or other value), but the value, more precisely, the price, of the individual specimen of the given commodity which has decisive importance for each particular purchaser of a prestige commodity or again for its owner. It turns out here that the higher the price, the greater the prestige to be gained by possessing that commodity. Ultimately it is those goods whose retail prices exceed many times the prices of ordinary goods which become the most prestigious.

But we have to stress here that a prestige commodity need not necessarily have any sort of especially important quality features by comparison with other commodities, but such a commodity must in some respect stand out in the general run of commodities.

The complicated task of simultaneously satisfying the effective demand that already really exists at the lowest expenditures of social labor (which follows from the fact that needs based on prestige are inadvisable) and of guaranteeing the fullest possible satisfaction of effective demand generated by rational needs which have high importance to social welfare, can be performed only if the circumstances noted above are taken into account.

It is possible to overcome the contradictions that occur in planning retail prices of goods which can effectively satisfy inadvisable needs based on prestige and not allow "prestige" goods to be created in the process if the group of goods which either are already "prestige goods" or could become such is clearly delimited.

The fact that the basic consumer goods: bread, meat, milk and so on--are not and cannot become "prestige" goods is helpful in solving the problem.

**Balancing Supply and Demand.** The active use of retail prices in achieving balance between the supply of commodities and the demand for them is also one of the basic demands put on the retail price system. In performing the task of balancing supply and demand retail prices play a secondary role. Regulation



of the volume of production stands in the first place. But in a number of situations prices are able to balance supply and demand.

For instance, increasing the production of consumer goods produced at a loss without a corresponding increase in the production of profitable goods not only does not eliminate the disproportion between supply and demand, but even intensifies that disproportion. In such a situation the use of retail prices is inevitable. It is only with them that it is possible to achieve correspondence between supply and demand with respect to goods whose production is limited by objective conditions. This applies above all to those consumer goods for which the demand grows as personal money income increases, but for which the possibilities for production are limited by natural conditions.

Retail prices must reflect more fully the conditions under which the goods are sold. This requires that in a number of cases they be used to achieve balance between supply and demand in order to achieve the necessary proportions in the distribution sphere. Retail prices must be an active instrument for the management of demand rather than a mirror of the relation between supply and demand. This possibility is becoming greater, especially when most needs are saturated in quantitative terms.

Of course, fulfilling this requirement in connection with improvement of the retail price system involves overcoming certain difficulties and solving some complicated problems. We should point out that the socioeconomic development of society objectively poses new problems which often are more complicated than those solved previously. It is likely that this is also the case with the problem of achieving correspondence between the supply of goods and effective demand. The peculiarity and complexity of the problem lies in the fact that it is manifested at a standard of living of the population which has risen sharply. The solution lies in an essential expansion of the production of certain goods, improvement of the assortment offered, improvement of quality, optimalization of the distribution of commodity resources over the territory of the country, and so on. Provision has been made to carry out all these and other measures in coming years. But not everything is related exclusively to production and distribution of consumer goods. The retail price system also plays a certain role here.

The retail price mechanism can and must be used in order to achieve better balance in the sphere of commodity distribution.

It is an important requirement for the retail price system that it promote implementation of the socialist principle of distribution according to work, that is, observance of proportionality between the measure of work and the measure of consumption. Establishment of uniform retail prices of identical goods over the entire area of the country guarantees equal payment for equal work (assuming that an objective system is adhered to in reckoning and remunerating work). That is why substantiation of the level, dynamic behavior, relations and structure of retail prices must be comprehensive and thorough. It is also necessary that retail prices meet this requirement in order to maintain the stability of the Soviet currency and to simplify and facilitate recordkeeping and planning.

fulfillment of all the requirements of the retail price system we have taken up covers the most important directions for improvement of the setting of prices on consumer goods. This, of course, does not exhaust the group of problems which have to be solved in order to improve the present system of retail prices. We will also discuss those problems.

**Fuller Reflection in Prices of Altered Conditions of the Production, Distribution, Sale and Consumption of Goods.** Most retail prices have been in effect for 20, 25 and even 30 years without any sort of changes. Yet over the decades which have passed the conditions of the production, distribution, sale and consumption of many goods have changed essentially. For instance, the production costs of a number of goods have risen appreciably (goods made from agricultural raw materials, certain industrial goods). The extraction of raw materials, above all fuel and energy resources, timbering, fishing, and so on, have become much more complicated thanks to the operation of objective factors (deterioration of mining-geology conditions, the movement of production to undeveloped northern and eastern regions of the country, depletion of resources, and so on), which has brought about an increase in production costs.

The effect of the adverse factors must be offset by using the advances of scientific-technical progress and by speeding up the rise of labor productivity. In the years that have passed, unfortunately, national-economic targets for organizing the production of new equipment and technology and applying them to production have not been fulfilled in all sectors of the economy. This has had an adverse effect on the growth rates of labor productivity and has ultimately caused certain consumer goods to be produced at a loss (production of furniture, paper and cardboard products, publications). That is why the retail prices of these commodities were raised somewhat. The raising of prices could have been avoided if assignments for the growth of production, for improvement of product quality, for the rise of labor productivity, for cost reduction, and so on, had been successfully fulfilled in the sectors, production operations, associations and enterprises.

Especially adverse consequences occur in the economy when personal money income, including and above all wages, is allowed to increase faster than the growth of labor productivity. Yu. V. Andropov, noting that it is not permissible to violate the objective economic law of the faster growth of labor productivity, has emphasized: "Unless it is most closely related to this decisive factor, a rise in wages, which at first makes an external favorable impression, will in the end inevitably have an adverse effect on all economic life. To be specific, it generates demands which cannot be fully satisfied at the given level of production, and it interferes with eliminating shortages, with all their ugly consequences, which make the workers disturbed, and with good reason."<sup>10</sup>

The adverse consequences of higher production costs can be offset only by increasing the efficiency of social production, by changing it over to an intensive development strategy. Under the given specific conditions retail prices can also be used for this purpose.

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10 Andropov, Yu., "Karl Marx's Doctrine ...," p 15.

Objective factors are involved in the change of the conditions of production and sale. For instance, it is well known that fish stocks in inland bodies of water (rivers and lakes) have decreased appreciably because of man's economic activity (construction of hydroelectric power stations, the drawing of water for industrial purposes and to irrigate farm crops). This especially applies to the most valuable families of fish. At the same time the group of potential purchasers, given the general rise in personal money income, has been expanding rapidly. An urgent need has consequently arisen to achieve balance between the supply and the demand. That is the reason why retail prices were raised on those fish species which are a delicacy and caviar from salmon and sturgeon species.

**Establishment of Sound Relations in Retail Prices.** One of the important aspects characterizing the retail price system is correct establishment of price relations of interchangeable consumer goods. They cannot be arbitrary and must correspond to the quality, performance characteristics and consumer assessments of interchangeable goods. Meanwhile all these characteristics do not withstand change as time passes. Consumer assessments are especially mobile. For instance, within living memory food with more calories was regarded as the most nutritious. The nutritiousness of meat, for example, was determined by its fat content. Veal, young pig and lamb were less well thought of than beef, pork and mutton. Horsemeat was thought to be least nutritious.

Under present conditions consumer assessments of various types of meat have altered radically. Horsemeat, for instance, has been put in the category of the most nutritious meat. By-products such as calf's and pig's feet, liver, not to mention tongue and certain other by-products, which previously were held in low opinion by the consumer, have become delicacies. There has been a sharp increase in the estimation of veal, young pig and lamb. All of this, of course, could not but have an effect on the system of price relations. In part they have already been corrected.

The discrepancy in retail prices is the result of the persistence of previous notions concerning the quality of goods. Back in the sixties products made from synthetic fiber, for example, were held in especially high esteem for their strength and resistance to creasing. Now hygienic characteristics have become paramount, and in accordance with them the synthetics are giving way to natural fibers. This is understandable. There has been a sharp rise in the general level of material prosperity, needs have expanded and grown, but retail price relations have remained as before. The level of prices of products made from synthetic fibers is higher than those from cotton and linen. Yet increasing the production of natural fibers involves huge outlays for land improvement.

There are also certain discrepancies and distortions in price relations related to other commodity groups. All of this demands that a solid effort be made to correct them.

**Introduction of New Methods of Pricing.** Because of the rise in the material and cultural standard of living of the people personal needs and people's tastes have become highly dynamic. If all the needs are to be met, then, it

is necessary not only that production develop at a higher pace, but also that the assortment of products produced undergo rapid change. To be specific, in light industry to renew every year more than 30 percent of the fabrics, more than 30 percent of the footwear, sewn garments and knitwear. Even in such a branch as the breadbaking industry, in which, it would seem, the assortment is stable, hundreds of new bread products and rolls make their appearance every year. As a result pricing authorities are burdened beyond measure with the work of setting new prices. At the same time, even those minimum periods of time which have been adopted for consideration of price proposals (from 15 to 20 days) still take that time away from production. In addition, it cannot be forgotten that the actual drafting of price proposals also requires both time and labor.

Consequently, there is a need to simplify the process of setting prices without allowing opportunities to arise for the normal level of a price to be set on low-quality goods or to hike up prices on ordinary goods.

The widespread use of normative-parametric methods of compiling price lists at which goods are sold to the public will make it possible to avoid such situations. The essence of these methods lies in the fact that mathematical statistics is used to establish the functional relationship between all the performance characteristics (parameters) of goods in a particular group (cotton fabrics, men's clothing, furniture, knitwear, and so on) which are important consumers and the production costs of goods possessing those characteristics (parameters). Which is why they are referred to as parametric methods. But if we take into account that the relationship is established not merely with costs, but with normative or standard costs, then the meaning of the entire name of the methods--normative-parametric methods--becomes clear as well.

Establishing this kind of relation makes it possible to compile the price list not in the form of a huge list of all the goods produced with all their types, varieties, sizes, models and grades, indicating the price for each type, size, model, grade and other characteristics, but in the form of compact tables. The tables do not contain a list of all the commodities in the given group, nor indeed do they contain the prices of specific products. The price is determined by totaling up the individual elements accounting for the existence of a particular performance characteristic. It is clear that the greater these characteristics and the more of them there are, the higher the price will be, and vice versa.

The table includes all probable combinations of all the principal performance parameters of the given group of products. However much the new product may differ from those already being produced, it is always possible to find its price from the table. Consequently, there is no need to draft a price proposal or for it to be examined and approved. All the prices are known in advance. If we take into account that price lists of this kind are worked out on computers, then one can imagine the rather sizable saving of resources and energies. For example, in the furniture industry, where such a price list has already been adopted, costs have dropped from 280,000 to 6,000-7,000 rubles.



Introduction of the normative-parametric price list is a complicated job requiring appropriate preparation, which is why there are not many of them at the present time. They have been adopted for furniture, sewn garments, knitwear and certain other goods. But the future lies with normative-parametric price lists.

**Establishment of Negotiated Prices.** Introduction of the normative-parametric price lists, regardless of how good they are, does not altogether eliminate the need for the setting of prices of particular commodities. In any case not for all groups of commodities. First of all, there are groups of commodities in which it is impossible to imagine the changes in fashion and in the tastes of purchasers. Second, if the enterprises which are the producers want to take changing fashion and tastes into account, they must at least to some extent define them in the preparation of production. The latter involves a considerable share of risk: they have prepared production on the assumption that fashion will develop in one direction, but fashion suddenly veers off in another direction at the last moment. All the costs of preparing production have been wasted. After that it is not every enterprise that will endeavor to prepare in advance for a change in fashion. It will wait until such time as sales of the product are guaranteed. But while it is waiting, the fashionable commodity will be among those affected by acute shortage, with all the adverse consequences of that.

In order to preclude such situations the USSR Council of Ministers has adopted a decision to the effect that retail prices of the first experimental runs of goods and especially fashionable articles may be set by agreement between production associations and fashion houses on the one hand and organizations in the distribution sphere on the other.

Depending on the retail price level the volume of the first experimental runs of goods and especially fashionable products must not exceed 50,000 rubles if the retail price per unit of the product is under 10 rubles, 100,000 rubles if the retail price per unit of the article is between 10 and 100 rubles, 150,000 rubles at a price between 100 and 500 rubles, and 300,000 rubles if the price is higher than 500 rubles. Subsequent runs of such goods are sold either at temporary prices or permanent prices which have been worked out in accordance with the methods in effect.

Negotiated retail prices may apply only to goods being manufactured by industry for the first time. A clarification has been issued for clearer definition of the group of goods to which the Regulation on Negotiated Retail Prices extends. For instance, the first experimental runs of goods must be distinguished by the newness of structure, appearance, style, the raw material used, or the manufacturing technology.

This product must correspond to the direction of current fashion and must be in demand with the public because of its technical and artistic and esthetic level. Only products which meet a promising direction of fashion can be recognized as especially fashionable articles. They must be produced in the first production runs in the year before their large-scale production. These products should be produced exclusively from new high-quality raw materials and

supplies, with a high level of workmanship, displaying new lines, structural design or composition, as well as new decorative appearance and color.

During the period that the first small runs of the goods are being sold, industrial and trade organizations conduct a study of the demand for them. This makes it possible to draw sounder conclusions concerning the possibility of the further manufacturing of such goods in large-scale production. The latter is all the more necessary in view of the increasing importance of quality, a product's external appearance, and its being in line with the fashion. Fashion is one of the principal factors in shaping demand. In addition, the production of especially fashionable goods in large volume is altogether impossible. The process of setting temporary prices on products manufactured in large quantities is rather complicated and takes a long time.

As a consequence the time is considerably shortened between a product's development and its manufacture, and the process of setting the price is simplified. Economic conditions are created for the manufacture of especially fashionable goods which are not oriented toward the mass consumer, but at taking into account individual requirements. Production associations and enterprises are being given additional incentives to produce new goods of high quality.

A new procedure has also been envisaged for the distribution of additional money accumulation from the sale of the first experimental runs of goods and especially fashionable articles according to which 50 percent of the total amount of additional money accumulation would be left at the disposition of the production association. Thirty percent of this amount would go for the direct awarding of bonuses to the personnel of the production association who participated in creating the new products and in organizing their production, while 20 percent would go to the fund for social welfare and cultural programs and housing construction and to the production development fund.

Organizations in the trade sector are also being given additional motivation to sell new products. For instance, provision has been made for the possibility of differentiating trade and wholesale discounts on consumer goods up to a maximum of 50 percent as a function of the quality and performance characteristics of goods to be delivered, the demand for them, the seasonal nature of production and sale, and other factors.

The first experimental runs of goods and especially fashionable articles are on sale for 6 months in manufacturer's outlets and specialized stores, where the demand of customers can be studied. If they are not sold in that period, the retail prices can be reduced by agreement between the parties, and the losses from dropping the price are distributed equally between the trade sector and industry and are charged to the results of economic activity. If the markdown occurs because of breaches of a contract, then the party which violated the contract takes the losses from the markdown.

In Moscow, for example, negotiated prices began to be applied for the first time in settlement between the "Moskva" Garment Production Association and the manufacturer's store "Muzhskiyе sorochki" [Men's Shirts], and in Chelyabinsk under a contract between the "Etalon" store and four garment production associations.

Adoption of the new procedure was preceded by a large preparatory effort in the store: the personnel of the marketing department studied in advance the prior demand for styles of men's shirts proposed for production and took this into account in making out its order to the production association. Personnel of the store also set the preliminary level of the negotiated price, which was then fixed in agreements concluded between the production association "Moskva" and the store "Muzhskiy Sorochnik."

In 1981 and 1982, 18 styles (7 in 1981 and 11 in 1982) were manufactured at the negotiated prices. In 1981 five of the seven styles were awarded the code "N" [new] (they are being sold at temporary prices), and two styles were withdrawn from further production.

The application of negotiated prices to especially fashionable men's shirts proved to be beneficial both for industry and for trade. The financial indicators of trade improved considerably, and the rate of commodity turnover increased. On the average each style of men's shirt was sold out in 3 days, whereas before that the store had difficulty selling goods, and large lots of goods had to be shipped even outside Moscow all the way to the country's eastern regions. The store realized additional profit from selling the goods at the negotiated prices. Moreover, the higher trade discount made it possible to create conditions for incentives to personnel in the trade sector.

The system of selling goods at negotiated prices guaranteed uninterrupted sale of experimental runs of goods. The production association realized additional profit, 50 percent of which was used for incentives to the enterprise's personnel and to build up economic incentive funds. The other 50 percent of additional profit was transferred to the budget.

The new procedure for selling goods at negotiated prices has substantially improved the organization of production and study of demand in the trade sector.

Favorable experience has been gained in Sverdlovsk, Leningrad, Gorkiy and Chelyabinsk. For instance, the Chelyabinsk firm "Etalon" sold young men's clothing through a specialized store. The enterprises of Chelyabinsk delivered to the trade sector fashionable articles manufactured in small lots (not exceeding 500 pieces). Simplification of relations between the trade sector and industry has brought about a reduction of the time it takes to sell articles to 2-6 months.

But the relative share of products sold at negotiated prices is at present very small. As for the level of the retail price, this kind of product is advantageous for the enterprise.

We should take special note that after the first run of goods is sold, the next lots will be sold first at the temporary price, which is 20 percent below the negotiated price, and then at the permanent price, which is at least 33 percent lower.

Many complicated problems are solved all of a sudden in the new procedure that has been adopted for setting prices. It is advisable for industrial enterprises and the trade sector to make wider use of their rights.

We have examined the principal directions for improvement of the system of retail prices of consumer goods. This, of course, does not mean that the range of questions related to improvement of the price system (levels and relations) has been altogether exhausted. For example, one might point to the need for more responsive seasonal markdowns and sales of certain goods; establishment of seasonal differences in the prices of goods for which the demand varies substantially during the year; the strengthening of the interrelationship between wholesale and retail prices of goods motivating the manufacturing enterprises to satisfy effective demand more fully, and so on. There is no doubt that all these questions will be resolved, but it is important to find the best ways of dealing with them even now. Here again it is up to that new branch of economic science--the theory of planned pricing, which must light the way for practice.

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To Assist the Lecturer\*

Indices of State Retail Prices of Certain Consumer Goods in the USSR (relative to average annual 1970 prices, in percentage)

<u>Consumer Goods</u>	<u>1975</u>	<u>1980</u>	<u>1981</u>
All goods	99.7	103	104
Food	100.9	103	105
Meat and poultry	100	102	102
Fish and sardines	104	104	104
Butter	100	100	100
Vegetable oil	100	100	100
Sugar	100	100	100
Confections	100	104	104
Salt	100	100	100
Bread and baked goods	100	100	100
Flour	100	100	100
Rolled and hulled products and beans and peas	100	100	100
Macaroni products	100	100	100
Potatoes	109	102	110
Vegetables	104	113	113
Alcoholic products	102	103	108
Nonfood commodities	98	103	104
Cotton fabrics	100	100	100
Woolen fabrics and scarves	100	100	104
Silk fabrics	100	101	100.4
Clothing and underwear	98	99.1	99.4
Knitwear	96	92	92
Hosiery	97	96	96
Leather, textile and composite footwear	100	99.5	99.5
Rubber footwear	100	99	99
Clothing accessories	100	99.7	99.7
Tobacco products	100	100	108
Matches	100	100	100
Kerosine	100	100	100
School notebooks, paper and office supplies	89	86	84
Wristwatches	100	105	103
Bicycles and mopeds	95	95	95
Motorcycles and motor scooters	96	96	96
Television sets	78	66	66
Sewing machines	100	100	100
Cameras	100	100	97

\* The tables are taken from the commemorative statistical yearbook "Narodnoye khozyaystvo SSSR. 1922-1982" [National Economy of the USSR, 1922-1982], Moscow, Finansy i statistika, 1982, pp 481, 320-321, 103-104, 418, 422, 424.

Price Indices of Retail Sales, including the Food Service Industry (1970 = 100)\*

<u>Country</u>	<u>1960</u>	<u>1975</u>	<u>1980</u>
Bulgaria	91	101	123
Hungary	96	116	159
GDR	101.3	98	98.7
Mongolia	93	99.4	99.5
Poland	90	110	152
Romania	97	103	108
USSR	99.6	99.7	103
Czechoslovakia	93	100.8	111

\* "Statisticheskii yezhegodnik stran-chlenov SEV" [Statistical Yearbook of the CEMA Member Countries], Moscow, Finansy i statistika, 1981, pp 320-321.

Price Indices of Retail Sales, including the Food Service Industry, for Food-stuffs (1970 = 100)

<u>Country</u>	<u>1960</u>	<u>1975</u>	<u>1980</u>
Bulgaria	84	103	139
Hungary	93	113	162
GDR	98.9	100.8	100.8
Mongolia	97	100	99.5
Poland	86	111	152
Romania	90	106	111
USSR	96	100.9	103
Czechoslovakia	95	100.2	107

Price Indices of Retail Sales for Nonfood Commodities (1970 = 100)

<u>Country</u>	<u>1960</u>	<u>1975</u>	<u>1980</u>
Bulgaria	98	99.6	112
Hungary	99.3	118	157
GDR	103.7	95.1	96.4
Mongolia	89	99	99.5
Poland	94	110	152
Romania	103	100.4	105
USSR	105	98	103
Czechoslovakia	89	102	116

Rise of Consumer Prices of Goods and Paid Services in the USSR Over the 1960-1982 Period, in Percentage\* (1960 = 100)

<u>Goods and Services</u>	<u>1967</u>	<u>1970</u>	<u>1975</u>	<u>1980</u>	<u>October 1982</u>
Prices of all commodities and services	112.7	131.1	181.7	278.2	331.6
Prices of foodstuffs	113.6	130.6	199.3	281.9	317.7
Payment for housing	110.9	131.8	184.9	291.9	355.6
Transportation rates	111.6	125.8	168.0	278.7	329.8
Payment for medical service	126.0	152.0	212.5	335.1	426.7
Other goods and services	113.9	132.1	167.9	244.3	308.9

1970 = 100

Prices of all commodities and services	138.6	212.2	252.9
Prices of foodstuffs	152.7	215.9	243.3
Payment for housing	140.2	221.5	269.7
Transportation rates	133.6	221.6	262.2
Payment for medical service	139.8	220.5	280.8
Other goods and services	127.1	185.0	233.8

1975 = 100

Prices of all commodities and services	153.1	182.5
Prices of foodstuffs	141.4	159.4
Payment for housing	157.9	192.3
Transportation rates	165.9	196.3
Payment for medical service	157.7	200.9
Other goods and services	145.6	184.0

\* HANDBOOK OF BASIC ECONOMIC STATISTICS, No 11, 1982, p 99.

Production of the Most Important Consumer Goods in the USSR and United States in 1981

<u>Consumer Goods</u>	<u>Total</u>		<u>Per Capita</u>	
	<u>USSR</u>	<u>United States</u>	<u>USSR</u>	<u>United States</u>
Cotton fabrics, millions m <sup>2</sup>	7.2	4.0	27 m <sup>2</sup>	18 m <sup>2</sup>
Woolen fabrics, millions m <sup>2</sup>	768	210	2.9 m <sup>2</sup>	0.9 m <sup>2</sup>
Silk fabrics, millions m <sup>2</sup>	1,806	7,460	6.7 m <sup>2</sup>	32.5 m <sup>2</sup>
Leather footwear, millions of pairs	738	400	2.8 pra	1.7 pra
Granulated sugar (from domestic raw materials)	5.9	5.2	22 kg	22 kg

Production of the Most Important Consumer Goods in the USSR and United States in 1981 (continued)

<u>Consumer Goods</u>	<u>Total</u>		<u>Per Capita</u>	
	<u>USSR</u>	<u>United States</u>	<u>USSR</u>	<u>United States</u>
Catch of fish, sea mammals, whales and other marine products, millions of tons	9.6	3.5*	36 kg	16 kg
Butter, thousands of tons	1,318	558	4.9 kg	2.4 kg
Meat, millions of tons	15.2	26.9	57 kg	117 kg
Milk, millions of tons	88.9	60	332 kg	261 kg

\* 1979.

Rise of Real Personal Income in the USSR (on a per-capita basis, in percentage)

<u>Real Income of the Entire Population</u>	<u>1940</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>	<u>1980</u>	<u>1981</u>
1940 = 100	100	298	398	493	582	601
1965 = 100		100	133	165	195	202
1970 = 100			100	124	146	151

Income in families less well-off increased at a higher rate than the income of the entire population. In 1965 4 percent of the population had an income higher than 100 rubles per month per member of the family, in 1970 this figure was 18 percent, and in 1981 it was more than half of the population.

The real income of workers and employees on a per-worker basis increased 4.1-fold between 1940 and 1981, and the real income of kolkhoz members 7.2-fold.

As a result of important social welfare measures carried out in recent years levels of real income of kolkhoz members have been brought closer to the real income of workers and employees. Introduction of guaranteed remuneration on kolkhozes and of the uniform system of pensions and social security have had great importance. The level of real income of kolkhoz members increased on a per-member-of-the-family basis from 75 percent of the real income of workers and employees in 1955 to 89 percent in 1981.

Proportional Breakdown of Income and Expenditures of Families of Workers and Employees in the USSR, in Percentage

<u>Income and Expenditures</u>	<u>1970</u>	<u>1975</u>	<u>1981</u>
Total income of the family	100	100	100
Breakdown:			
Wages of family members	72	72.2	71.3
Pensions, scholarships, grants and other payments and benefits from social consumption funds (including free education, medical treatment, etc.)	21.5	22.2	22.9



Proportional Breakdown of Income and Expenditures of Families of Workers and Employees in the USSR, in Percentage (continued)

<u>Income and Expenditures</u>	<u>1970</u>	<u>1975</u>	<u>1981</u>
Income from private farming	3.9	2.9	3.2
Income from other sources	2.6	2.7	2.6
Use of total income	100	100	100
Breakdown:			
For food	35.6	32.9	31.7
To purchase the following:			
Fabrics, clothing and footwear	15.8	15.9	16.6
Furniture, durable consumer goods and housewares (Including cars, motorcycles, bicycles, and so on)	5.9	6.9	7.6
Building materials	0.5	0.5	0.5
Fuel	0.4	0.3	0.3
For social, cultural and consumer services	23.4	23.5	23.9
Breakdown:			
Education, medical treatment and other free services financed from social consumption funds	14	14.2	14.8
Payment for dwelling, municipal services and maintenance of privately owned dwellings	2.6	2.6	2.7
Accumulation (addition to cash on hand, balances in savings banks, livestock, poultry, produce from private farming, etc.)	4	5.3	4.9
Taxes, charges and payments	7.3	7.9	8.1
Other expenditures	7.1	6.8	6.4

Proportional Breakdown of Income and Expenditures of Families of Kolkhoz Members in the USSR, in Percentage

<u>Income and Expenditures</u>	<u>1940</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>	<u>1981</u>
Total income of the family	100	100	100	100	100
Breakdown:					
Income from the kolkhoz	39.7	39.6	40	43.7	43.3
Wages of family members	5.8	7.4	8.4	8.1	9.4
Pensions, scholarships, grants and other payments and benefits from social consumption funds (including free education, medical treatment, etc.)	4.9	14.6	17.9	21.4	19.1
Income from private farming	48.3	36.5	31.9	25.4	26.5
Income from other sources	1.3	1.9	1.8	1.4	1.7
Use of total income	100	100	100	100	100
Breakdown:					
For food	67.3	45.2	40.4	37.1	35
To purchase the following:					
Fabrics, clothing and footwear	10.9	13.7	15.7	15.7	16.3

Proportional Breakdown of Income and Expenditures of Families of Kolkhoz Members in the USSR, in Percentage (continued)

<u>Income and Expenditures</u>	<u>1940</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>	<u>1981</u>
Furniture, durable consumer goods and housewares (including cars, motorcycles, bicycles, and so on)	1.1	4.2	4.9	5.9	6.6
Building materials	0.3	2.6	2.8	2.7	2
Fuel	3.8	2	1.8	1.6	1.3
For social, cultural and consumer services	4.8	14	15	16.8	14.8
Breakdown:					
Education, medical treatment and other free services financed from social consumption funds	3.4	10	10.8	12.3	10.4
Accumulation (addition to cash on hand, balances in savings banks, livestock, poultry, produce from private farming, etc.)	6.3	8	6.4	6	9.1
Taxes, charges and payments	1.4	1.4	1.3	1.2	1.5
Other expenditures	4.1	8.9	11.7	13	13.4

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## PERSONAL INCOME AND SAVINGS

### WORKING CLASS, PEASANTS COMPARED

IZVESTIYA VESTNIK Leningradskogo Universiteta: EKONOMIKA, FILOSOFIYA, PRAVO  
[in Russian No. 3, Issue 1, 1983 pp 23 -27]

[Article by Yu. S. Polyakov: "The Rapprochement of the Working Class and the Kolkhoz Peasantry Based on Receiving Methods and Percentage Rates in Public Wealth"]

[Text] In accordance with Lenin's definition of classes, which is given in "Velikoe Podnie" [Great Beginning] and which has a universal nature -- i.e. it permits any class, including socialist ones, to be investigated, the working class differs from the kolkhoz peasantry based on its place in the public production system, namely: based on its relationship to the means of production, its role in the social organization of labor, and its receiving methods and percentages in the public wealth. Let us examine the rapprochement process of the two friendly classes according to a third (closed) indicator.

Public (national) wealth is the accumulated material wealth (the sum total of production resources and consumer goods), which has been created by the labor of previous generations and the present one, and also the natural resources which are involved in economic turnover. It is clear that in Lenin's definition of classes the term "public wealth" is used not in this usual meaning but in a special narrower one -- as the sum total of consumer products. You see, class distinctions in appropriating the decisive part of public wealth (the means of production) have already been fixed by the initial class-forming indicator -- the different relationship toward the means of production. Moreover, under the conditions of socialism where classes are only represented by the workers -- more accurately, by the direct producers of material wealth, the concept "public wealth" used in its special meaning is even more narrow, designating not the entire mass of vital resources that is available to society but only that part of them which falls to the share of the direct producers of material wealth and which has received in Marxist literature the title of the vital resources fund of workers in the material production area or the worker's fund. Therefore, we are talking about the fact that workers and kolkhoz members are different based on their receiving methods and percentages in the worker's fund.

The worker's fund exists in all public and economic formations. In K. Marx's words, the reproduction of manpower takes place at the expense of the worker's fund "which the worker needs for the maintenance and reproduction of his life and which he himself must continuously produce and reproduce under all systems of public production".<sup>2</sup>

Under capitalism, the worker's fund has the social economic form of variable capital -- more accurately, potentially variable capital-- because the manpower, which functions in capitalist production, is the real variable capital.<sup>3</sup> It insures the reproduction of manpower as a commodity and is limited by its cost. Variable capital, however, is only a "special historical form of the manifestation of the vital resources fund or the worker's fund".

Under socialism, the worker's fund has a specifically socialist social and economic nature. It insures the reproduction of associated manpower, which is free of exploitation, and is regulated by socialist economic laws. As a result, with all other conditions being equal (an identical number of people employed in material resources, an identical level of labor productivity, etc.), the amount of the worker's fund, including that calculated per worker, is greater under socialism than under capitalism.

In our opinion, however, it is not that variable capital provides for the reproduction of only manpower (the ability to work) and a socialist worker's fund serves "not only to fully maintain and restore the ability to work but also to develop in every way possible, use thoroughly and improve profoundly the physical, intellectual and social capabilities of each producer -- equal member of society".<sup>5</sup> When talking about the reproduction of manpower, we always mean the renewal of the worker's personality. You see, manpower "is not a subject which exists regardless of the immediate ... individual and which does not coincide with him".<sup>6</sup> Therefore, attempts to articulate two items: compensation for working ability and the development of the worker's personality, in the reproduction of manpower are unequal and futile. Even under capitalism where the bourgeois are interested in the incorrect and one-sided development of hired workers, the reproduction of manpower objectively coincides with the renewal of the worker's personality. The fact that the development of hired workers in a bourgeois society is limited by the very fact of the existence of exploiters, i.e., the many-sided needs of a worker are satisfied under capitalism not to the same degree that they would be satisfied if there were no bourgeoisie, is a different matter.

The establishment of public property removes this limitation, and in this sense insures the full development of the workers even in the lowest phase of communism. However, it is full not because the ability to work and "all the remaining" complex of the worker's abilities are supposedly reproduced and not because the multi-sided needs of the worker are ostensibly being satisfied from now on to their fullest extent; it is full because the maximum possible satisfaction of the workers' needs at the achieved level of production and without being limited by deductions for the benefit of the exploiters, is now taking place.



During the stage that preceded the construction of a developed socialist society in our country, workers and kolkhoz members differed quite considerably based on receiving methods and their percentages in the combined worker's fund. For example, the incomes of kolkhoz members, as opposed to the incomes of workers, depended on the number of work-days worked; the level of their incomes was considerably lower; and they arrived predominantly in in-kind form.

During the stage of developed socialism, a dynamic rapprochement of the friendly classes is taking place based on all class-forming indicators including, of course, the specific nature of their appropriation of the combined worker's fund. The description of rapprochement of the classes as a dynamic process contains two important items: First, the rapprochement is taking place at accelerating rates; and second, the kolkhoz members are catching up with the workers because the kolkhoz peasantry is developing even more rapidly than the speeded-up development of the working class.

The rapprochement of the friendly classes based on receiving methods and percentages in public wealth (the worker's fund) is clearly expressed in the progressively growing identification of the sizes of family incomes calculated per one family member and of the structure of income and expenses in family budgets. Whereas real incomes calculated per one kolkhoz family member were 20 percent lower than in a worker family in 1965, this gap had been decreased to 11 percent in 1980.

An important factor in aligning the incomes of workers and kolkhoz members is the fact that growth rates in payments for labor are outstripping those for wages. From 1960 to 1980, the average wage of workers and employees increased more than twofold (from 80.6 to 170 rubles), and payments for the labor of kolkhoz members increased more than fourfold (from 28.4 to 115 rubles). True, the high growth rates in the payment for labor occurred not so much as the result of increasing the effectiveness of the kolkhoz economic structure (the growth of productivity and payment for labor was 122 percent and 181 percent, respectively, during 1961-1965; 133 percent and 140 percent during 1966-1970; and 107 percent and 127 percent during 1971-1975) as the result of a redistribution of national income for the benefit of the kolkhoz-cooperative sector that, obviously, was caused to a significant degree by the previous protracted redistribution of national income for the benefit of the state sector. In the future, the growth of payments for work on kolkhozes must be linked more closely with a growth in labor productivity.

Another essential factor in aligning the incomes of workers and kolkhoz members was the outstripping growth of the public consumption funds received by kolkhoz members. Thus, the amount of public consumption funds calculated per one worker and employee increased 1.4-fold during 1965-1970, and that calculated per one kolkhoz member -- 1.7-fold. By 1970, public consumption funds calculated per one kolkhoz member was one-third of the amount that was falling to one worker and employee.

Let us examine the aligning of the income structure of worker and kolkhoz families (cf. Table 1).

Table 1. The Income Structure of an Industrial Worker and Kolkhoz Family  
(as a percentage of combined income, taken as 100)

(1) Year	(2) Заработная плата средней рабочей	(3) Оплата труда средней колхозника	(4) Выплаты и льготы ОФП, включая бес- платное образование, лечение и т.п.		(7) Доход от личного подсобного хозяйства		(8) Доход из других источников	
			(5) Средняя рабочая	(6) Средняя колхозника	(5) Средняя рабочая	(6) Средняя колхозника	(5) Средняя рабочая	(6) Средняя колхозника
1965	73.1	39.6	22.8	11.6	1.7	36.5	2.4	9.3
1970	74.4	40.0	22.1	17.9	1.3	31.9	2.2	10.2
1975	74.3	43.7	22.5	21.4	0.9	25.4	2.3	9.5
1980	74.2	43.9	23.3	19.5	0.7	25.3	1.8	11.3

Computed based on "Narodnoye khozyaystvo SSSR v 1980 godu. Statisticheskii yezhegodnik" [The USSR National Economy in 1980. Statistical Yearbook], Moscow, 1981, pp 384-385 (the wages of kolkhoz family members, who work in state enterprises and establishments, are included in the column "Kolkhoz family income from other sources").

Key:

- |   |                                      |
|---|--------------------------------------|
| 1. Years  | 6. Kolkhoz family                    |
| 2. Worker family wage   | 7. Income from personal private plot |
| 3. Kolkhoz family payment for work  | 8. Income from other sources         |
| 4. Public consumption payments and benefits including free education, treatment, etc. |                                      |
| 5. Worker family  |                                      |

It follows from Table 1 that wages (payment for work) are the main source of income for worker and kolkhoz families. During the period from 1965 to 1980, the percentage of wages in the income of a worker family grew by 1.1 points, and the percentage of payments for work grew by 4.3 points in the income of a kolkhoz family. This is explained primarily by the fact that the growth rates in payment for labor outstrip those for wages. Whereas the average wage in the national economy increased by 77 percent from 1965 to 1980, the payment for labor on kolkhozes increased by 123 percent. Another reason for the outstripping growth of the percentage of payment for labor in comparison with the percentage of wages in the aggregate incomes is found in the sizes and dynamics of the incomes from personal private plots. In the combined income of a worker family, the income from the personal private plot decreased by 58.8 percent from 1965 to 1980. The proportion of this income, however, is insignificant here (1.7 percent in 1965 and 0.7 percent in 1980). Therefore, the dynamics of the relative value of income from a personal private plot had little effect on the dynamics of the relative value of wages. On the other hand, income from a personal private plot decreased only 30.9 percent in the combined income of a kolkhoz family. However, the proportion

of income from a personal private plot is significant here (36.5 percent in 1965 and 25.3 percent in 1980). As a result, the dynamics of the relative value of income from a personal private plot had a noticeable effect on the dynamics of the relative value of payments for labor.

Concerning income received from public consumption funds, its percentage in combined income is increasing more rapidly for kolkhoz members than for workers. Thus, in the combined incomes of worker and kolkhoz families, a growth in the proportion of income, which comes in as a result of distributions for labor and through public consumption funds, and a decrease in the percentage of income from a personal private plot are observed during the period being researched. Within the framework of this common general law, outstripping growth rates and decreases in the percentage of the corresponding incomes of kolkhoz families in comparison with worker families are being revealed. Whereas the gap between the relative values of wages in the combined incomes of workers and kolkhoz families was 33.5 points in 1965, it was 30.3 points in 1980. An analogous gap along the lines of public consumption funds was decreased from 8.2 to 3.8 points, and along the line of income from a personal private plot -- from 34.8 to 24.6 points. All of this convincingly testifies to the gradual leveling of the income portion structure of worker and kolkhoz family budgets.

Let us turn to the expense portion of family budgets (cf. Table 2). It follows from Table 2 that the main article of expense in the family budgets of workers and kolkhoz members is the expenditure for food (in 1980, these expenditures were 31.7 percent for workers and 35.9 percent for kolkhoz members of all their expenses). Along with this, a decrease in the percentage of expenses for food both among workers and among kolkhoz members is observed during the period being investigated. This process is taking place more intensively among kolkhoz members than among workers. As a result, the gap between the relative values of worker and kolkhoz expenditures for food decreased from 7.3 to 4.2 points from 1965 to 1980. Of course, the relative decrease in expenses for food is accompanied by an absolute growth in demand and by an improvement in the food ration. The demand for sugar, fish, fish products, vegetable oil, vegetables, and melons is increasing more rapidly among kolkhoz members than among workers.<sup>9</sup>

From 1965 to 1980, not only were the relative values of worker and kolkhoz expenditures for cloth, clothing and footwear completely aligned, but a certain excess in the percentage of kolkhoz members' expenditures for these purposes was noted. In the mid-Seventies, kolkhoz members acquired 1.4-fold more ready-made clothing calculated per one family member and more than twofold more knitted garments than workers and employees.<sup>10</sup>

The relative amounts of the expenditures of the friendly classes for furniture and cultural and living items have come close together. Whereas the gap for this expense item was 1.9 points in 1965, it was 0.5 points in 1980.

Therefore, a dynamic rapprochement of workers and kolkhoz members in the area of distributing and consuming the worker's fund is taking place under developed socialism. The thorough analysis of this process requires special research,

which is supported by strictly special-purpose sociological investigations and the appropriate statistical base.

Table 2. Expense Structure of an Industrial Worker and Kolkhoz Family  
(as a percentage of combined expenses taken as 100)

(1) Направления расходов	1965		1970		1975		1980	
	(2) Семья рабочего	(3) Семья колхоз- ника	(2) Семья рабочего	(3) Семья колхоз- ника	(2) Семья рабочего	(3) Семья колхоз- ника	(2) Семья рабочего	(3) Семья колхоз- ника
(4) Питание . . . . .	37,9	45,2	35,7	40,4	32,9	37,1	31,7	35,9
(5) Ткани, одежда, обувь . . . . .	13,9	13,7	15,5	15,7	15,4	15,7	16,1	16,5
(6) Мебель, предметы культуры и быта . . . . .	6,1	4,2	5,8	4,9	6,5	5,9	7,2	6,7
(7) Стройматериалы . . . . .	0,4	2,6	0,4	2,8	0,3	2,7	0,4	1,9
(8) Топливо . . . . .	0,4	2,0	0,3	1,8	0,2	1,6	0,1	1,5
(9) Социально-культурные и бытовые услуги . . . . .	24,3	14,0	23,5	15,0	23,1	16,8	23,5	15,0
(10) Из них: на образование, лечение и др. бесплатные услуги за счет ОФП . . . . .	13,8	10,0	13,9	10,8	13,8	12,3	14,1	10,5
(11) Оплата квартир, коммунальных услуг и содержание собствен- ных домов . . . . .	2,7		2,7		2,7		2,7	
(12) Накопление (при росте налич- ных денег, вкладов в сбере- гательных кассах и др.) . . . . .	2,8	8,0	4,1	6,4	6,3	6,0	5,9	7,3
(13) Налоги . . . . .	7,2	1,4	7,9	1,3	8,5	1,2	8,7	1,5
(14) Прочие расходы . . . . .	7,0	8,9	6,8	11,7	6,8	13,0	6,4	13,7

Compiled from "Narodnoye khozyaystvo SSR v 1980 godu", pp 384-385

Key:

- |                                  |  |
|----------------------------------|--|
| 1. Expense direction             | 10. Of these:                          |
| 2. Worker family                 | for education, medical treatment,      |
| 3. Kolkhoz family                | etc. and free services from the        |
| 4. Food                          | public consumption fund                |
| 5. Cloth, clothing, footwear     | 11. Payment for quarters and municipal |
| 6. Furniture, cultural and       | services and maintenance of their      |
| living articles                  | own houses                             |
| 7. Building materials            | 12. Savings (with the growth in cash,  |
| 8. Fuel                          | deposits in savings banks, etc.)       |
| 9. Social, cultural and domestic | 13. Taxes                              |
| services                         | 14. Other expenses                     |



#### FOOTNOTES

1. Cf. V. I. Lenin, "Polnoye sobraniye sochineniy" [Complete Works], Vol 39, p 15.
2. K. Marx and F. Engels, "Sochineniya" [Works], 2d ed., Vol 23, p 580.
3. Cf. ibid., Vol 24, p 498.
4. Cf. ibid., Vol 23, p 580.
5. G. D'yachkov, "The Vital Resources Fund for Workers in Material Production", EKONOMICHESKIYE NAUKI, No 4, 1974, p 48.
6. Marx and Engels, op. cit., Vol 46, Part I, pp 246-247.
7. "Na rodnoye khozyaystvo SSSR v 1980 godu" [The USSR National Economy in 1980], Moscow, 1981, p 380.
8. G. S. Sarkisyan, "Uroven', tempy i propotsii rosta real'nykh dokhodov pre sotsializme" [The Level, Rates and Proportions in the Growth of Real Incomes Under Socialism], Moscow, 1972, pp 197-198.
9. "Sel'skoye khozyaystvo SSSR. Statisticheskiy sbornik" [USSR Agriculture. Statistical Collection], Moscow, 1971, p 663.
10. P. I. Simush, "Sotsial'nyy portret sovetskogo krest'yanstva" [A Social Portrait of Soviet Peasantry], Moscow, 1976, p 116.

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